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BUSINESS WEEK

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Flying high: With armament expenditures soaring, the aviation industry hits new levels.

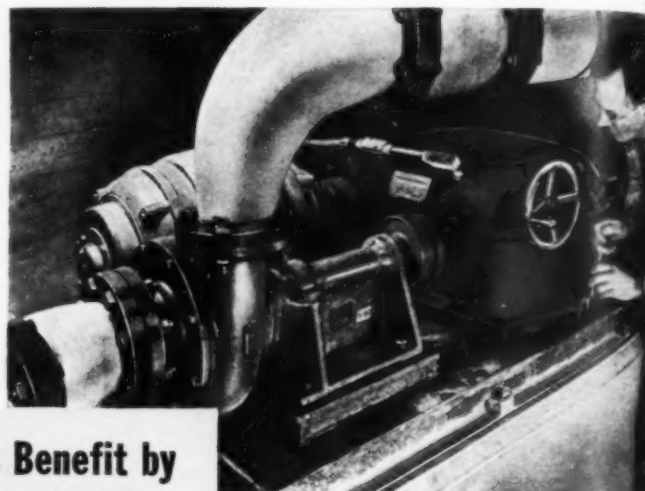
Cop. 26

BUSINESS
INDICATOR

PUBLISHED BY THE MCGRAW-HILL PUBLISHING COMPANY, INC. • TWENTY CENTS A COPY

STORY OF THE VARI-PITCH SPEED CHANGER AND THE PAMPERED RATS!

*Another true case history
from the Allis-Chalmers
files that proves "IT PAYS
TO BUY THE EQUIPMENT
THAT PAYS FOR ITSELF!"*



Abbott's Rats and Abbott's Operations Benefit by Allis-Chalmers Individualized Engineering Service! Find Out How You Can Do the Job at the Lowest Possible Costs . . . with the Equipment that Pays for Itself!

ABBOTT'S WHITE RATS GET BENEFITS of this Allis-Chalmers combination! The Vari-Pitch hooked to a Lo-Maintenance Motor and A-C pump automatically increases or decreases water pressure by controlling the rpm of the pump . . . makes possible exact control of temperature and humidity.

No mother could give her children more care than Abbott Laboratories gives its white rats. No animal could have more attention. For on them Abbott tests its vitamins, serums, and drugs . . . finds out precisely their potency and safety for humans.

And when Abbott found that varying pressures in the water supply made difficult exact control of their air conditioning system . . . caused changing temperatures and humidity that actually interfered with the rats' normal appetites — they moved quick to do something about it!

They called in an Allis-Chalmers engineer from the Allis-Chalmers Chicago District Office . . . told him their

problem. He rolled up his sleeves and went to work.

He hooked a Vari-Pitch Speed Changer to an Allis-Chalmers pump and motor. And because he gave them constant, positive speed control with a Vari-Pitch . . . without springs to get out of order . . . without trial or error guesswork . . . that meant the problem was licked!

For the Vari-Pitch, by accurately controlling the rpm of the pump, automatically increases or decreases the pump pressure to the exact amount needed . . . gives Abbott the water control so necessary in their operations.

This might be an unusual application of an Allis-Chalmers Vari-Pitch

Speed Changer. But the performance record it's setting for Abbott is not an unusual occurrence. For Allis-Chalmers is fast becoming first choice among executives who want the engineering co-operation that means the right equipment to do the job at the lowest possible production cost.

Get the benefits of Allis-Chalmers individualized engineering service to work for you . . . help solve your equipment problems! Call the nearest Allis-Chalmers district office for a trained production engineer . . . backed by Allis-Chalmers 90 years of progressing with industry. He'll show you how you can save money in your plant . . . with the equipment that pays for itself!

A1135A


PRODUCTS ENGINEERED TO PAY FOR THEMSELVES

Electrical Equipment • Power Transmission Equipment • Steam and Hydraulic Turbines • Blowers and Compressors • Engines and Condensers • Centrifugal Pumps • Flour and Cereal Mill Equipment • Boiler Feedwater Treatment • Saw Mill and Timber Preserving Machinery • Crushing, Cement, and Mining Machinery • Power Farming Machinery • Industrial Tractors and Road Machinery



ALLIS-CHALMERS
MILWAUKEE WISCONSIN

THIS CHART WILL ABSOLUTELY ASTONISH YOU!



PLYMOUTH IS MOST LIKE THE HIGH-PRICED CARS!

	1. 12800 lbs. or less	2. 13000 lbs. or less	3. 13500 lbs. or less	4. 14000 lbs. or less	5. 14500 lbs. or less	6. 15000 lbs. or less	7. 15500 lbs. or less	8. 16000 lbs. or less	9. 16500 lbs. or less	10. 17000 lbs. or less	11. 17500 lbs. or less	12. 18000 lbs. or less	13. 18500 lbs. or less	14. 19000 lbs. or less	15. 19500 lbs. or less	16. 20000 lbs. or less	17. 20500 lbs. or less	18. 21000 lbs. or less	19. 21500 lbs. or less	20. 22000 lbs. or less	21. 22500 lbs. or less	22. 23000 lbs. or less	23. 23500 lbs. or less	24. 24000 lbs. or less	25. 24500 lbs. or less	TOTAL
'39 HUP. CAR	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	25
'39 HUP. CAR	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	25
'39 HUP. CAR	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	25
LOW-PRICED PLYMOUTH	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	23
LOW-PRICED CAR "2"	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	20
LOW-PRICED CAR "3"	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	9
LOW-PRICED CAR "4"	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	7

PLYMOUTH IS THE QUALITY CAR OF "ALL THREE"!



COUPES START AT \$645
SEDANS START AT \$685

— DELIVERED IN DETROIT. Prices include all federal taxes; transportation and state, local taxes, if any, not included.
EASY TO BUY. Trade now. Your present car will probably cover a large part of Plymouth's low delivered price—balance in low monthly instalments. See your nearby Plymouth dealer today!

OF 25 IMPORTANT FEATURES FOUND IN MOST HIGH-PRICED CARS...

*Plymouth has 20
 Car "2" has 9—Car "3" has 7*

BEFORE YOU BUY any new car, see the famous Quality Chart at your Plymouth dealer's. Get the straight facts about value!

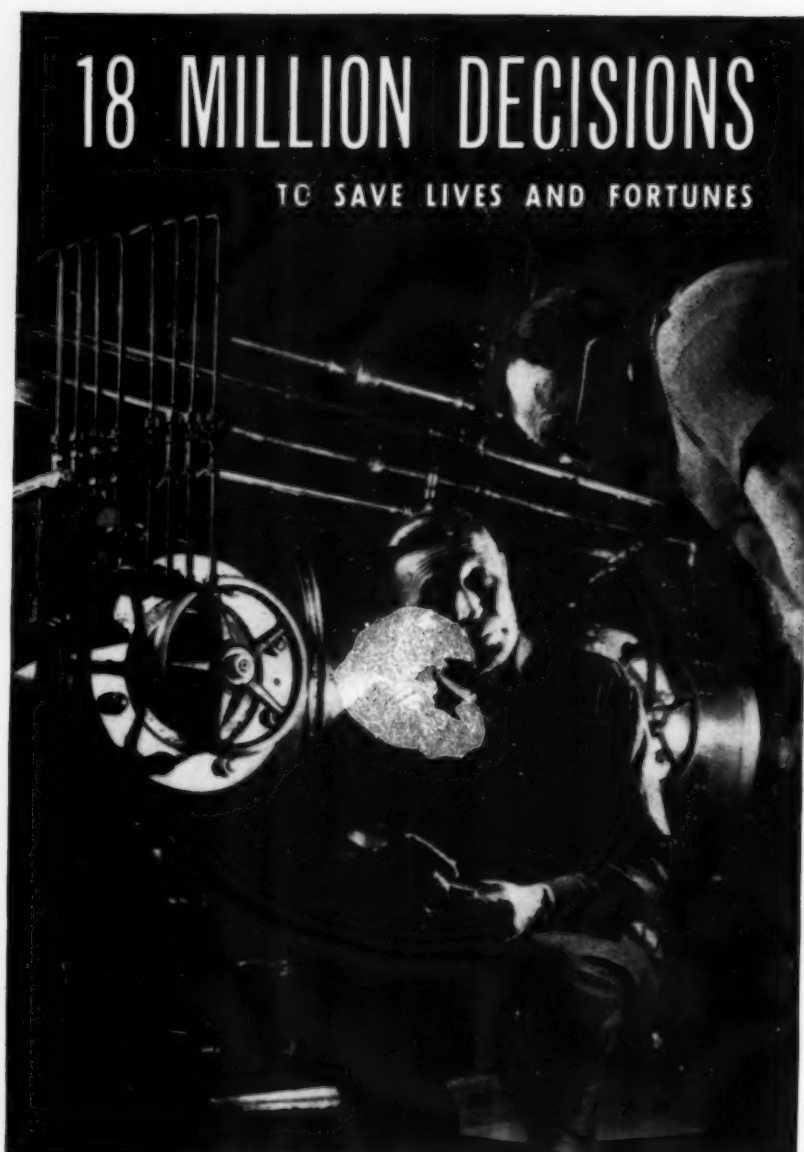
Plymouth is the *only* one of "All Three" low-priced cars with so many of the 25 big features found in most high-priced cars!

Here's the score: of the total of 25 big features, the Plymouth "Roadking" has 20...the Plymouth "De Luxe," 24!

If you've never driven a Plymouth before, by all means do it *now*! PLYMOUTH DIVISION OF CHRYSLER CORPORATION, Detroit, Mich.

TUNE IN MAJOR BOWES' ORIGINAL AMATEUR HOUR, COLUMBIA NETWORK, THURS., 9 TO 10 P.M., E.D.S.T.

PLYMOUTH BUILDS GREAT CARS



18 MILLION DECISIONS

TO SAVE LIVES AND FORTUNES

DURING 72 years devoted solely to safeguarding boilers, engines, turbines and generators, 18,000,000 Hartford inspections have called for 18,000,000 decisions. Many of these decisions have saved lives . . . forestalled disastrous breakdowns and explosions . . . preserved profits . . . added years of safe operation to valuable installations.

During the long time Hartford has been at this business, it has undertaken nothing else. All its thoughts and energies are devoted to doing one thing extremely well. The protective services of this oldest of American engineering insurance companies are not based on guesswork,

but on a vast volume of recorded experience which has familiarized its engineers with the meaning of symptoms which to others might have no significance.

To *know*, rather than to *assume*, is the watchword of a staff that feels keenly their Company's responsibilities to its policyholders. That's why industry chooses Hartford to protect a preponderant part of its insured power equipment and to shop-inspect 90% of its power boilers during fabrication.

Hartford's field force, unique home-office staff, and feed-water laboratory work together as one. Ask your agent or broker how they can work for you.

**THE HARTFORD STEAM BOILER INSPECTION
AND INSURANCE COMPANY** HARTFORD
CONNECTICUT



THIS BUSINESS WEEK



BUSINESS WEEK



\$170,000,000 worth of contracts will go into the Army's flying equipment during the next two fiscal years. The sleek Army fighters flying above the clouds on this week's cover symbolize the sky-high cost of attempting to put 5,500 planes into service for the corps. Last week Louis Johnson, Assistant Secretary of War, and his staff conferred with representatives of 22 leading plane manufacturers to discuss ways of spreading the appropriation throughout a busy industry. The report—page 24. Meanwhile, England's accelerated airplane production line has caught up with Germany's and is increasing its rate of output more rapidly—page 25.

Addenda

BOTH FAIRS are doing everything they can to boost attendance figures, and for a very good reason: They want to break even. Why the expected crowds haven't shown up; what local business men feel about the fairs—page 14. . . Who is to blame for the high cost of housing construction? The TNEC hears some answers from the industry, from labor, from bankers, and from government economists—page 16. . . One "housing solution" hit upon by four machinists in Hammond, Ind. is reported on page 20. . . With every other avenue of legal attack on the fair trade laws closed, Macy's finds a new one, charging the book publishers and booksellers with combination in restraint of trade—page 30.

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PUBLICATION



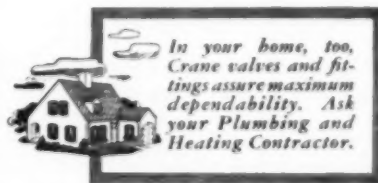
VALVES • \$29,141 WORTH TO CHANGE THESE GREEN SKINS TO LEATHER

A FINE piece of leather is more than just the hide of a cow. It represents tons of water and vats of tannic acid—gallons of chemicals and quarts of dye—all used in leather processing. Some of these liquids are required in great quantities—others are extremely corrosive—some are heavy and viscous and others highly volatile, but one characteristic they all have in common: they must be controlled. This control means valves. A study made by a firm of independent appraisal engineers showed that in one tannery \$29,141 worth of valves was required in the process of changing green skins to leather.

Every industry is different, but—tanneries or chemical plants, steel

mills or soup manufacturers, water works or power houses—all are alike in one respect: their very existence depends on the valves they use on their steam and hot water lines—the valves that control the flow of liquids and gases. While the number of valves and their type vary

with each industry, their importance and the investment they represent make their purchase extremely important to management. This is why the name Crane on valves and fittings is accepted as standard for high quality in all industry. Back of every Crane valve is 84 years of manufacturing experience—experience that is reflected in the service Crane valves give. Close to you is a Crane Branch or wholesaler ready to assist you in selecting from the 38,000 different piping items in the Crane No. 52 Catalog—just the ones best suited to your requirements.



In your home, too, Crane valves and fittings assure maximum dependability. Ask your Plumbing and Heating Contractor.

VALVES • FITTINGS
PIPE • PLUMBING
HEATING • PUMPS

CRANE

CRANE CO., GENERAL OFFICES: 836 SOUTH MICHIGAN AVENUE, CHICAGO

NATION-WIDE SERVICE THROUGH BRANCHES AND WHOLESALE IN ALL MARKETS

Here's a

What's one thing that gets most papers into trouble? Moisture. Yes, as soon as an ordinary sheet becomes wet it weakens and goes to pieces...

paper

...In packaging moist products, or in any situation where there's likely to be moisture, it's not safe to use ordinary paper. Chances are it won't stand up...

that's

... But here's a paper that's different—a paper that is *strong when wet*—a paper that you can depend upon to do the wet jobs. This paper is called **IVORY DURAPAK**...

strong

... Drench **IVORY DURAPAK** in water. And when it comes out dripping wet, handle it roughly—twist it, stretch it out tight. You'll quickly discover how strong it is!

when wet

... Perhaps there's a situation in your business that calls for a wet-strength paper. If you'll let us know the application you have in mind we'll gladly send samples and full information about **IVORY DURAPAK**.



NEW BUSINESS

She Stuff

E. T. SLATTERY Co., Boston department store, is preparing a fall advertising campaign on the "1860 silhouette," with the expectation that women are returning to wasp waists, mountainous bosoms, magnificent beams, and murderous corsets.

Twenty years ago Eugene K. Denton established The Tailored Woman, Inc.; today he still manages it, and soon he'll move it across the street, to the corner of 5th Ave. at 57th St., N. Y., where it will have 40,000 square feet, nearly double its present space—and will be air-conditioned.

You used to sing, "Heaven will protect the working girl" . . . Now the working girl is called "career girl," at least in the ads, and Carson, Pirie, Scott & Co., Chicago, have a Career Girl Shop that runs a fashion show at dinner time, ending at 8 o'clock—allowing the C. G. to sandwich in the fashion show between her daily toil and her nocturnal date.

What's New?

"A NEW DAY IS HERE in the treatment of Athlete's Foot," declares the Mennen Co., Newark, N. J., starting a big campaign in medical and drug journals on Quinsana powder, which has been "used by dermatologists in the treatment of hundreds—yes thousands—of cases," and has "established an amazing record of success" . . . Consumers will be told about Quinsana powder after druggists are stocked up with it.

Proctor Electric Co., Philadelphia, offers the "Never-Lift" electric iron, which automatically rises off the ironing board when not in use . . . Though the price is \$12.50, the company expects large installment sales to poor women, who do their own ironing and therefore appreciate the lifting feature.

Adhibitions

BEN BURK, INC., Boston distiller, is running a series of ads that show a bottle of its 4-year-old whisky, Old Mr. Boston, and a bottle of an unnamed brand—and then comes a point-by-point comparison of the contents.

General Indoor Advertising, 140 S. Dearborn, Chicago, offers "the Black Ray," a display stand containing four illuminated panels, 10½ x 13½ inches, and an illuminated "streamer" headline, 6 x 24 inches . . . Placed in retail stores, hotel lobbies, and at other points of sale, the "Black Ray" will present an advertisement in its original colors, but these will be printed with new fluorescent lithographing inks, which will glow under the influence of the ultra-violet ray, giving an effect like that of a paper neon sign . . . The display stands will be sold to adver-

tisers for 13-week periods, but copy can be changed every other week.

Our Times

VI-TI DOG KANDY, "the canine tidbit," distributed by Copeland Brokerage Co., Los Angeles, is said to contain vitamins A, B, D, and G.

Publicity for pickles! Members of the National Pickle Packers Association will pay 1/10 of a cent a bushel of their brine stock to finance research for determining the nutritional and food values of pickles, preparatory to a national publicity campaign . . . The plan was devised by a committee headed by Olney Brown, of Squire Dingee Co., Chicago.

The Baltimore Transit Co. has begun its second season of excursion-night "cool-off" rides, using 26 lines, including street cars, gasoline buses, and trolley buses, the passengers being allowed to start their rides at 7 p.m. and return to the starting point at 1 a.m., for a fare of 10¢.

Sales Strut

HOW CAN YOU MOVE winter merchandise in summer? Or summer merchandise in winter? . . . Melville Shoe Corp. shows the way . . . Fifty of its stores in 25 cities have been applying a promotion plan that consists of using two display windows, one of them showing summer shoes in a summer setting, while the other shows winter shoes against a background of snow and shivers . . . Result: gobs of winter merchandise moving.

Chinaware manufacturers have hitherto held their annual show as a part of the housewares show, but this year the Housewares Manufacturers Assn. had no space in its show for chinaware, so the Pottery Show was held last week at the Vanderbilt, New York, as a separate event—and Earl R. Crooks, of Crooksville China Co., Crooksville, O., says most chinaware manufacturers want to continue the separation.

Add What's New?

ARMOUR & Co. is introducing Treet, "the all purpose meat," a canned spiced pork product that can be served hot or cold, and as sliced meat.

Comet Aerial Advertising Co., 489 5th Ave., N. Y., is introducing bomb-advertisements, such as are already familiar in Europe . . . Used at bathing beaches and similar places, the bomb is shot from a mortar to a height of 360 feet, where it explodes loudly, amid a cloud of smoke . . . When the smoke clears, the crowd sees the figure of the advertised product—it may be a bottle of liquor, a pack of cigarettes, or anything else, and it's about 15 feet high, is made of thin silk paper, open at the bottom, and is kept afloat 2 to 10 minutes by the incoming air.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)
—With the neutrality issue postponed until next session because of the certainty that the many orators signed up for the filibuster could easily talk until Christmas, Congress is all set to adjourn in a couple of weeks—unless:

(1) Sniping at the spend-lend program develops into the sort of field day for making political capital that many had hoped for in the neutrality bill.

(2) Unless some new development in the foreign situation revives the fight for neutrality revision, thus beating the gun on that extra session which Chairman Pittman and others are discussing if hell should start popping in Europe.

(3) Unless something totally unexpected in the domestic situation should start the Senators talking, on the theory that a new law is necessary to fix up whatever it might be.

The Two Big Doubtfuls

YOU CAN LOOK for a spend-lend bill to pass after some sharp amending and some sharper political oratory. This bill is No. 1 on the list of obvious possibilities for extended argument.

No. 2 is the wage-hour amendment situation. Cox of Georgia, who is really running the House Rules Committee and who backed the Barden amendments, is now suggesting compromise with Roosevelt, who says the proposal would take 2,000,000 poorly-paid workers out from under the protection of the law. If Barden and the White House can get together on some deal that would include a modicum of Barden's program to relieve farmers, something may pass. But there's a good chance nothing will come of it.

How the Others Look

NO AMENDMENT of the Wagner Act is in the cards, but the Administration probably can't stave off a recess investigation of the National Labor Relations Board.

Jesse Jones' opposition to the Mead bill for small loans is potent on Capitol Hill, but with Presidential pressure behind the general idea of aiding the little man it's likely that some compromise for feeding out credit will squeeze through.

Politics hovers over the Hatch bill, aimed at preventing federal officials from participating in federal elections. The Administration does not want it. The Senate has already passed a mild version. The House will be allowed to vote for a further dehorned measure.

Won't Extend Walsh-Healey

THE WALSH bill to extend the scope of the Walsh-Healey Law, governing wages and hours on government contracts, was passed by the Senate this week but has only a ghost of a chance in the House. Unlikely to survive in any case is the provision for blacklisting employers found by the courts to have violated the Labor Relations Act.

In and Out of RFC



Harris & Ewing

They say that if Emil Schram had to, he could work with Herbert Hoover and Franklin D. Roosevelt and keep them both sold on him. At any rate the new head of RFC (left), replacing Jesse Jones (right) who becomes Loan Administrator of the federal spending program, has done something most Washington observers think even more difficult—he has earned the enthusiastic admiration of both the tight-fisted Mr. Jones, and of radical Tommy Corcoran, open-handed dispenser of tax funds. A farm on swamp land out in Indiana got Schram interested in drainage and irrigation districts, which naturally carried him into federal lending. His last achievement was to make the Electric Home and Farm Authority solvent. Apparently he pleases the banker in Jones by making things pay, and the idealist in Corcoran by advocating government lending. If he can keep on operating that way, there's no telling how far he will go.

In the meantime, Administrator Walling is preparing to crack down on alleged violators of the Walsh-Healey law as it stands now—and in case you've forgotten, it includes a three-year blacklisting penalty. His recommendation to Sec. Perkins that this penalty be invoked against Sigmund Eisner Co., Red Bank, N. J., the fourth to be made since the law was passed three years ago, will be followed by at least four other actions to bar contracts to heavy government suppliers in the garment industry.

A court decision is expected soon in the independent steel companies' suit charging Sec. Perkins with capricious and arbitrary administration of the law.

Hold Over Block Booking

THE FIGHT OF INDEPENDENT EXHIBITORS for a ban on compulsory block-booking and blind-selling of films, voted by the Senate again this week, will be carried to the House next session.

This puts Rep. Lea of California, chairman of the House Interstate Commerce Committee, on the spot. When the Senate passed the Neely bill in the closing days of Congress last year, Lea had only to sit tight and let the bill die with adjournment, but this time the bill retains its status because this is only the first session of the present Congress.

Bear in mind that this goes for all legislation pending when Congress quits next month.

No Rail Aid Now

THE TARDY HOUSE may eventually follow the Senate's lead in passing a railroad bill, but legislation will slumber in the conference committee till next January before differences are ironed out. Transfer of regulation of intercoastal and coastwise shipping from the Maritime Commission to the Interstate Commerce Commission is a score for the railroads, but only a fragment remains of their proposals to bring inland waterways under ICC's thumb.

Repeal of land-grant rate concessions to the government is conditioned on the railroads' releasing claims in dispute.

The bills represent a half-hearted, futile attempt to legislate rail recovery.

TNEC Rolls On

ALTHOUGH the Temporary National Economic Committee has shut down till after Labor Day, the Securities and Exchange Commission, the Labor Department, and other agencies are actively pursuing inquiries that will make headlines in the fall. The investment policies of insurance companies are due for an airing by SEC. The study that Isador Lubin of the Labor Department is mak-

LOWER HEATING COST IN AIR-CONDITIONED INSURANCE BUILDING

Webster Moderator System Gives
Phoenix Fire Insurance Co.
Balanced Heating Service

REQUIRES 12 P.C. LESS FUEL

Heating Load Was Substantially
Increased But Webster System
Accomplishes Savings

Hartford, Conn.—Since 1936, a Webster Moderator System has assured even, comfortable steam heating at low cost in the air-conditioned office building of the Phoenix Fire Insurance Co.

Jerry M. Davin, Building Supt., writes: "Prior to installing the Webster Moderator System, we had some difficulty in heating certain sections of our building. We are now doing a very satisfactory job of heating, as well as maintaining even temperatures and better distribution of heat to all sections.



Phoenix Fire Insurance Co., Hartford, Conn.

"The Moderator System is operating in unison with an air-conditioning system. A perfect balance must be maintained between both. The Moderator System has done this job to our satisfaction.

"With this system, there is no line loss when the building is not calling for heat. In spring and fall, when little heat is required, we get positive control from one central point and the proper amount of steam at all times.

"We added 3,000 feet of indirect radiation to our previous load," Mr. Davin continues. "An increase of 10 per cent in fuel was anticipated. Instead, we received a saving of 12 per cent. I credit this saving to the Webster System."

These before-and-after facts point the way to maximum comfort and economy in heating new buildings and modernization work. Consult your architect, engineer, heating contractor. Or address WARREN WEBSTER & CO., Camden, N. J. Pioneers of Vacuum System of Steam Heating Representatives in 65 principal cities—Est. 1889



See Webster System Radiation in House No. 18... Town of Tomorrow, New York World's Fair 1939.

ing into wages and prices will not flatter private business management.

Two basic industries, steel and oil, will have the spotlight turned on them when TNEC starts up again. The oil industry accepted TNEC's invitation to tell its own story, but there will be some prompting. The Department of Justice will put the steel industry over the barrel.

SEC Wants No Meddling

SEC WON'T HURRY UP any recommendations for changes in the direction of its activities. It knows too much about what the complaints are and is afraid to risk what Congress might do once it started tinkering with present requirements.

Actually it's agreeable to a few mild changes, if they could be slipped through without opening up Pandora's box. For instance, it's willing to permit relaxation of that requirement for a twenty-day waiting period before sale of securities is permitted. This is criticized bitterly in the case of old and established concerns whose securities are subjected to a testing period along with issues suspected of having a get-rich-quick flavor.

No Tire Investigation

THE FEDERAL TRADE COMMISSION, which has already bumped the United States Rubber Co. for violating the Robinson-Patman Act, must wait its chance to take a further crack at tire-manufacturers as a result of the failure of the House Interstate Commerce Committee to give the go-ahead signal on the resolution by Rep. Martin for an investigation.

An outgrowth of an unsuccessful Patman bill to curb manufacturers' sales at retail, the resolution was pushed hard by the National Association of Independent Tire Dealers. It will be one of the committee's first orders of business in January.

Regulating Discounts

THE "UNFAIR TRADE PRACTICE" of allowing institutional buyers longer terms of credit than others, prohibited by Secretary of Agriculture Wallace but held to be normal exercise of business discretion by the Circuit Court of Appeals at Chicago, is in for more battling.

First, the case against Swift & Co. is to be appealed to the Supreme Court, which the New Deal now figures is more sympathetic to business regulation than most of the lower courts. Failing a victory there, Wallace will turn to Congress, enlisting the Patman crowd in this drive against what amounts to discounts to big buyers.

Hitting at Japan

DEMANDS for countervailing duties against Japanese manufactured goods, backed by Matthew Woll of the American Federation of Labor who is president of America's Wage Earners' Protective

Brakes on Bureaucracy

LEGISLATION protecting business and industry from the wholesale issuance of new regulations by 100-odd federal administrative agencies has been approved by the House Judiciary Committee, but House consideration will likely be deferred until next session. The bill provides that new rules shall become effective only after publication and notice of hearing. It prescribes a system of appeal to Federal agencies and the courts.

The measure has the backing of the American Bar Association and strong bi-partisan support has developed on Capitol Hill. House approval would be virtually assured if that body were allowed to vote, but Democratic leaders are determined to sidetrack it. The President has notified them he doesn't want it passed until a study has been made of the necessity for a uniform formula governing the promulgation of administrative regulations. The Senate didn't wait, passed a similar bill this week.

Conference, will get considerable support in Congress.

Woll's demand is made in a letter to Sec. Morgenthau, alleging that such exports are subsidized to pay for the import of war materials and that "a higher price is paid in Japanese domestic markets for domestic consumption, which higher price includes a charge which is reallocated to an export fund which is utilized, as in Germany, to subsidize exports which could not otherwise be marketed abroad".

It was on a similar complaint by the same organization that the Treasury imposed countervailing duties on imports of subsidized goods from Germany. Naturally the move will have support from the group in Congress, headed by Sen. Pittman, which is clamoring for an embargo against Japan.

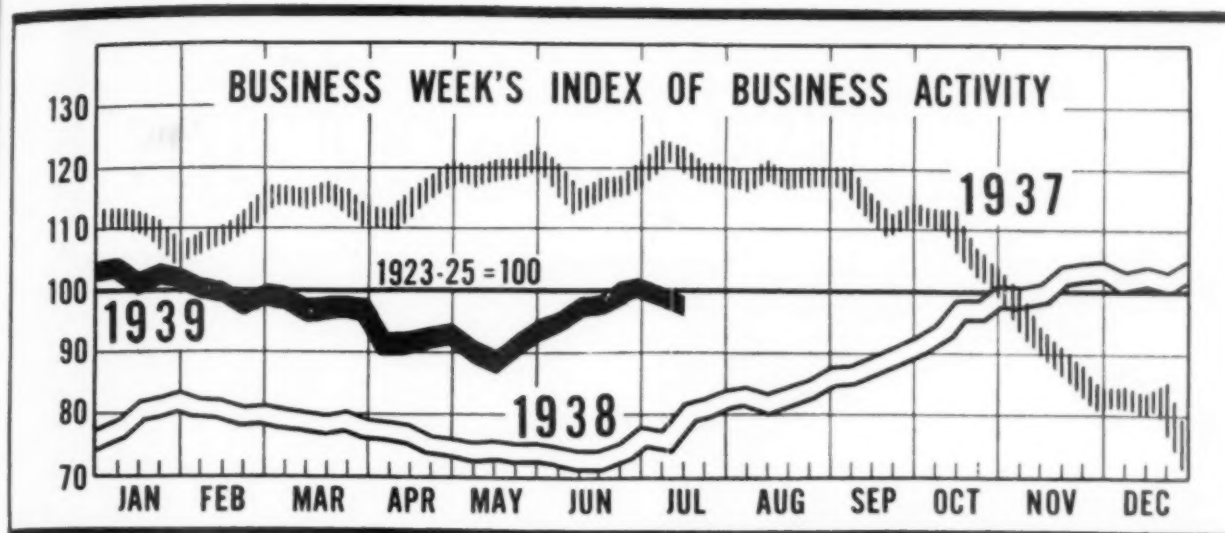
Sold on "The Rock"

ALCATRAZ WILL KEEP right on being the federal government's cage for "public enemies", despite Attorney-General Murphy's soft-hearted zeal to abolish "America's Devil's Island". Why? Because of Connecticut—and national—politics.

Homer Cummings, who founded Alcatraz when he was attorney-general, is very proud of it, thinks it's a necessity. He was much annoyed by Murphy's joining in the sob sisters' demand for transfer of criminals to some reformatory.

Cummings is still a power in Connecticut. And he's the only big leader in the Nutmeg State screaming for a third term for Roosevelt. So, after listening to Cummings for an hour and a half, Roosevelt promised to make Murphy pipe down. Alcatraz is safe.

THE FIGURES OF THE WEEK



THE INDEX

PRODUCTION

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
★ Steel Ingot Operations (% of capacity).....	99.3	100.7	99.6	102.9	82.0
★ Automobile Production	56.4	49.7	55.0	52.7	36.4
★ Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	61,610	42,784	76,305	86,925	42,010
★ Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$4,489	\$4,318	\$5,164	\$3,522	\$3,314
★ Electric Power Output (million kilowatt-hours).....	\$7,880	\$7,739	\$9,587	\$14,624	\$10,582
Crude Oil (daily average, 1,000 bbls.).....	2,324	2,078	2,265	2,270	2,084
Bituminous Coal (daily average, 1,000 tons).....	3,530	3,530	3,447	3,244	3,343
	1,194	1,123	1,067	1,500	938

TRADE

★ Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	69	69	69	64	64
★ All Other Carloadings (daily average, 1,000 cars).....	46	42	37	38	36
Check Payments (outside N. Y. City, millions).....	\$4,128	\$4,129	\$3,875	\$4,210	\$3,831
Money in Circulation (Wednesday series, millions).....	\$7,041	\$7,100	\$6,936	\$6,716	\$6,444
Department Store Sales (change from same week of preceding year).....	+2%	+3%	+10%	-15%	-6%

PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	142.0	142.2	142.1	142.9	146.8
Iron and Steel Composite (Steel, ton).....	\$35.85	\$35.81	\$35.71	\$36.37	\$36.27
Scrap Steel Composite (Iron Age, ton).....	\$15.04	\$14.79	\$14.75	\$15.00	\$13.42
Copper (electrolytic, Connecticut Valley, lb.).....	10.250¢	10.169¢	10.000¢	11.250¢	9.750¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.65	\$0.69	\$0.72	\$0.71	\$0.71
Sugar (raw, delivered New York, lb.).....	2.85¢	2.90¢	2.80¢	2.78¢	2.85¢
Cotton (middling, New York, lb.).....	9.63¢	9.93¢	9.87¢	8.92¢	8.71¢
Wool Tops (New York, lb.).....	\$0.876	\$0.863	\$0.841	\$0.846	\$0.823
Rubber (ribbed smoked sheets, New York, lb.).....	16.68¢	16.40¢	16.29¢	15.94¢	15.24¢

FINANCE

Corporate Bond Yield (Standard Statistics, 45 issues).....	5.64%	5.69%	5.66%	5.73%	5.93%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.16%	2.18%	2.15%	2.47%	2.51%
U. S. Treasury 3-to-5 year Note Yield.....	0.45%	0.47%	0.39%	0.67%	0.69%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	1/2-5/8%	1/2-5/8%	1/2-5/8%	1/2-5/8%	3/4%
Business Failures (Dun & Bradstreet, number).....	212	162	212	300	232

BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	17,368	17,109	17,212	16,050	14,994
Total Loans and Investments, reporting member banks.....	22,023	22,000	21,678	21,477	20,468
Commercial and Agricultural Loans, reporting member banks.....	3,887	3,672	3,831	3,818	3,885
Securities Loans, reporting member banks.....	1,174	1,192	1,214	1,410	1,216
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks..	10,646	10,635	10,498	9,921	9,235
Other Securities Held, reporting member banks.....	3,246	3,223	3,283	3,189	3,002
Excess Reserves, all member banks (Wednesday series).....	4,450	4,290	4,264	3,436	3,153
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,569	2,569	2,605	2,592	2,596

STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	114.7	108.8	110.3	123.4	120.9
20 Railroads, Price Index (Standard Statistics).....	28.2	26.5	27.0	31.7	29.5
20 Utilities, Price Index (Standard Statistics).....	68.7	66.0	66.4	66.6	63.2
90 Stocks, Price Index (Standard Statistics).....	94.0	89.3	90.4	99.9	97.3
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	1,156	1,450	446	872	1,769

★ Factor in Business Week Index. * Preliminary, week ended July 15th. † Revised. ‡ Date for "Latest Week" on each series on request.

LONG DISTANCE ADDS WARM PERSONALITY TO COLD FACTS



Customer complaints? Overdue accounts? Unexpected cancellations? . . . *Whenever difficult situations demand diplomacy, turn to Long Distance telephone service.*

It is quick, convenient and, above all, *personal*. You get right down to the heart of the trouble. You talk to Jim Jones, instead of the Jones Manufacturing Company, Inc. The friendly warmth of your voice tempers cold facts.

Agreement results from Long Distance discussion. Better understanding means orders saved and customers satisfied. . . . Every day, for many businesses, *Long Distance puts tact into contact*. The cost is low. Rates to many cities are listed in your directory.

The Bell System cordially invites you to visit its exhibits at the New York World's Fair and the Golden Gate International Exposition, San Francisco



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B U S I N E S S W E E K

July 22, 1939

THE BUSINESS OUTLOOK

Advance of stock market affirms business upturn and adds its weight to "favorable state of confidence." Consumer demand continues strong and bank loans rise.

NOT ONLY DID THIS WEEK'S JUMP in the stock market overshadow the general run of business statistics, but also it imparted a new eagerness to business operations—an eagerness which provides the makings for a continuance of expansion in general industrial activity for several months.

In this, there is a neat parallel with 1938—a parallel which suggests both optimism and caution. It was in July last year that stock prices moved into new high ground, conveying to chart readers that a bull market was under way in stocks and in business; and it was in July, too, that business really got going, that steel operations began their spectacular recovery from an operating level under 30% of capacity to better than 60% late in the fall.

This year business began its turnaround a little earlier—in May. But the 13½% advance in steel operations this week from 49.7% of capacity to 56.4% marked a new high for the year, and focused attention on the parallel with a year ago. And now the stock market, too, has broken through its previous resistance levels (page 40), suggesting, in the parlance of Wall Street, that the bull market's on.

"Favorable State of Confidence"

By many business men, the stock market is still counted as the best single barometer of business; and the crisp rally of this week—which was front-page headlines in the newspapers—is bound to inject a new confidence into future operations. Hitherto, business has moved pretty much on a strict hand-to-mouth basis. Supply and demand meshed closely from week to week. But henceforth, forward commitments will be undertaken with a somewhat greater degree of assurance. For several weeks, persistently high sales of consumers' goods over the retail trade counters have been making tentative inroads into the political misgivings and war fears of business men. Now the stock market adds its weight to what John Maynard Keynes would call the "favorable state of confidence."

As a natural consequence, business men will be less inclined to keep their forward

commitment books locked in their desks; in anticipating future requirements, they will be a bit more willing to take chances on the price level's holding. That would be a decided reversal of the purchasing policies of the last six months.

Remember Munich

There is a danger, however, in over-emphasizing the bullish implications of the news of the moment, or in putting too much weight on a continuance of that favorable state of confidence. The Czechoslovak crisis, it will be remembered only too well, cut into the peace and plenty of last fall, brought about the severe break in the American stock market, and gave business men an unpleasant case of the jitters for several weeks. The four-power pact of Munich brought a temporary peace, the stock market ral-

lied, and business resumed its momentum through the remainder of the year. There can be no certainty, however, that a repetition of a European crisis this year will have a like dénouement.

Need for Realism

It is true that American business men have become more case-hardened to European crises; it is true, also, that they have pretty well pre-calculated the effects of war on business in general and on their own business in particular. None the less, a threat of war over Danzig might easily break the rhythm of recovery; and if it produces a period of prolonged tension, it might even send business into a downturn.

The reason for this is that war inevitably brings on liquidation; it inevitably provokes unsettlement. In short, it upsets the state of confidence. Hence, optimism should be seasoned with realism, and forward commitments should be made with the possibility of a fall setback to business in mind—a setback, which, it should be added, will probably be more acute than protracted.

No Readjustment Job

Basic business conditions seem to be too sound to warrant the judgment that a war scare, alone, could produce a change in the trend. The country has had four months of readjustment—from January through April—from the minor recovery of the last half of 1938. So, it's not likely that there are any serious maladjustments. Inventories are still generally conceded to be low; speculative excesses in securities are virtually non-existent, and the momentum of the advance has been fairly well established, despite the drops in the business index of the last two weeks.

Bank Loans Up

Moreover, the banking statistics suggest that the state of business confidence is steadily improving. This week the volume of commercial and agricultural loans of reporting member banks passed last year's total for the first time, indicating that the business men are borrowing once again. It's true that this is the time

In the Outlook



The trading floor of the New York Stock Exchange (above, as it appeared on Tuesday in the brisk trading since the war scares the end of last March) loomed large in the business picture this week. A cool five billion dollars have been added to the value of listed stocks since the first of July; those paper profits mean free spending.

for seasonal expansion in loans, but it is also noteworthy that at this time last year, at the start of a rise in business, loans were declining.

Demand deposits are at an all-time high, and if the business community decides to use them—to increase velocity, so to speak—it is obvious that the present level of industrial activity, around 100, will have strong support, if not actual impulsion forward. And certainly there is no shortage of credit for expansion. Excess reserves this week moved to another all-time high at \$4,450,000,000.

Shoe Output Nears Peak

The steady domestic demand for consumers' goods throughout the year is affirmed by statistics of the shoe industry. June production of 29,000,000 pairs (a 7.9% rise over June, 1938) pushed total output for the first half to 205,082,000 pairs, which is not far from the record first-half total of 233,005,000 pairs in 1937. It is possible that this year's final output may even exceed that all-time top of 412,000,000 pairs, inasmuch as the sharp curtailment that occurred in the last half of 1937 (due to first-half overproduction in fear of inflation) is not likely to recur this year.

Both Fairs Seek More Business

Touring season increases attendance at New York and San Francisco expositions, but totals lag behind forecasts. Reopenings in 1940 are discussed.

A MIDSUMMER CHECK UP of New York's World's Fair and San Francisco's Golden Gate International Exposition reveals that neither has met attendance expectations, that both are busy with schemes to boost business between now and closing time. The touring season has increased admissions but totals lag far behind forecasts.

New York set its sights on 60,000,000 admissions (*BW—Apr 29 '39, p17*), San Francisco on 10,000,000 (*BW—Feb 11 '39, p22*). Unless the ratio of improvement is greatly speeded, the final figures will be little better than half the original estimates.

Executives of both shows are looking the facts in the teeth. (At the New York Fair this week the dismissal of several hundred employees and a 10% reduction

in executives' salaries were dictated by "budget requirements.") Management realizes it has got to work fast. The touring season slides off badly following Labor Day. After that, greater dependence must be placed on local visitors. New York has the advantage of dense population (there are over 11,000,000 people in its metropolitan district alone). But San Francisco has a longer season. Its show closes Dec. 2; New York's, Oct. 31.

Above the welter of difficulties, the question of 1940 reopenings raises its persistent head. Fair officials are being reminded that the Chicago show cleaned up during its second year. Naturally the management is not going to discourage this season's tourists by premature announcement of another year's operation. Head men in S.F. have announced solemnly that the exposition will end in December as planned, but rumors of a reopening continue. Grover Whalen, head of the New York show, stands pat, too. But his bondholders welcomed a report in the amusement press that automobile license tags for 1940 are being turned out with the same invitation to the fair that the '39 tags carried.

Week-End Bargain Conceded

New York fair heads are busy with measures countering the impression that prices are too high. Principal target has been the 75¢ admission fee. The base rate is being gradually undermined. First break came on July 12 when the fair cut the admission rate to 50¢ for groups of 500 or more, applying it to any organization or business group able to qualify numerically. The second break came July 17 when the \$1 (50¢ for children) "bargain ticket" was announced. It is a Saturday-Sunday special. The ticket is a \$2.25 value. It covers admission to the fair, a light lunch, and admission to five of 25 listed attractions in the amusement and exhibit zones.

There could be no doubt about the effect of these moves on attendance but they were received with mixed feelings. World's Fair bonds (*BW—Jun 24 '39, p45*) hopped above 75 after 5% of the \$27,000,000 principal was paid off; but they fell to around 55 after the combination tickets were announced. Moreover, the amusement concessionaires were restrained in their applause.

These showmen have been yelling their heads off since the fair opened. They say the Midway is badly placed, that visitors' cars become uncontrollable be-

"Doctors" Consult Over King Cotton



Harris & Ewing

Department of Agriculture experts are working overtime as they arrange to subsidize exports of American cotton in dwindling foreign markets. Here the Secretary (center) talks with Will Clayton (left) of Houston, Tex., one of the world's largest cotton merchants, and Rep. Marvin Jones of Texas, chairman of the House agriculture committee. Best guess is that

Wallace will pay about 1½¢ a lb. to subsidize exports, making the selling price abroad about \$40.50 a bale compared with domestic spot prices now around \$46.75. Exports for the current cotton year will run barely 3,750,000 bales against a "normal" of 6,000,000 or more, while the American surplus is still between 13,000,000 and 14,000,000 bales.

fore they can reach it, that fascinating free industrial and commercial shows are diverting the crowds, that fair admission should be a straight 50¢ with a cut to 25¢ after 10 p.m. when the main exhibits close, that the John Laws stabbed them in the back when brassieres were decreed for the gal shows.

There is also a wild call, not for more nude wigglers, but for *the* nude wiggler; an umph symbol to do for this show what Little Egypt did for the first Chicago fair, and Sally Rand for the second.

Chilled by Stories of "Expense"

Main worry of fair officials is shortage of out-of-town tourists. Early stories of high hotel rates, of high food and other tariffs at the fair have done the damage. These reports have crept into the columns of popular newspaper gossips and into local papers which played on an ingrown distaste for metropolitan extravagance to keep the citizens' money at home. Actual rate reductions by the hotels and the fair management are doing more to combat the prejudice than all the tons of passionate denials that have been put out by the press agents.

A cut from 50¢ to 25¢ in automobile parking fees at the fair's lots was aimed directly at the reluctant out-of-towners. It resulted almost immediately in a 100% rise in the number of parked cars.

Grand total of admissions to the New York fair was 13,815,438 on July 17. Daily averages of paid admissions since July 1 have been upwards of 135,000. Some observers put 245,000 as the daily average paid attendance necessary for the rest of the season if the financial accomplishments of the show are to equal its physical grandeur.

More Entering Golden Gate

Paid admissions at San Francisco's exposition averaged 31,400 daily for the first 23 weeks. Since the beginning of the vacation season and reforms in management instituted by the Charles Strub regime, money attendance has increased to 52,700 daily. Disappointment of S.F. business in fair results to date is reflected in sales tax figures that show gains in general San Francisco activity did not equal those in some other parts of the state. Curiously, men's apparel stores in S.F. led the gains, June volume showing 25% over June of '38. The city's famous restaurants attributed a 6.8% June gain to tourists. Drinking places, whoopee clubs, department stores showed losses. After disappointing April and May business, hotels are near capacity.

Apparently San Francisco is getting its share of a rousing tourist trade but visitors aren't staying long at the exposition. It draws 'em but there are too many other things to see in California. State gasoline tax figures for May indicate a gain of almost 10% over the previous May, which is about twice the estimated gain in gasoline consump-

New Appointee



Wide World

Far outshone by the incandescent Marriner Eccles, Lauchlin Currie, who used to work on the Federal Reserve Board governor's staff, now steps into the limelight as one of the President's new "passion for anonymity" assistants. The appointment of Currie under the new reorganization bill is regarded by Washington observers as an important straw in the wind, since they think the President would not have selected one of the fountainheads of the spend-lead doctrine unless he intended to follow this policy permanently.

tion for the country as a whole. Border stations counted 65,819 out-state cars entering California in June, carrying 140,000 passengers. This is a gain of 27.2% over June of last year.

Such figures deaden but do not dispel the disappointments. Maybe after all these years folks are getting just a little tired of fairs. There was a note of weariness in last Monday's refusal by the House of Representatives to consider additional appropriations of \$851,111 for the New York fair and \$606,650 for the San Francisco exposition.

Spurs Patent Reform

TNEC's recommendations give impetus to movement. Urges stiffer anti-trust penalties.

WASHINGTON (Business Week Bureau)—Recommendations made by the Temporary National Economic Committee for amending the patent and anti-trust laws go no further than expected. While its proposals are significant, they demon-

strate that the committee is not going overboard for panaceas. Note, for instance, that TNEC doesn't recommend regulation of business policies or of management through federal incorporation or licensing of corporations, although this has long been a pet nostrum of Sen. O'Mahoney, TNEC chairman.

The committee's recommendations are not new but TNEC's interest may serve to yank them out of the controversy in which they have floundered for years. Sponsored by the Patent Office, five bills anticipating TNEC's recommendations already have been passed by the House and have been favorably reported in the Senate. No action has been taken yet on two key measures. One would limit the over-all life of a patent to 20 years from date application is filed, instead of 17 years from date that the patent is granted. This is intended to put a stop to prolonging a patent monopoly by dilatory tactics in prosecuting an application. Another proposal would cut down the time and cost of subsequent litigation by creating a single court of patent appeals. The object is to end the present conflict of decisions in appellate courts before which cases are often brought to harass inventors.

TNEC has also approved the Justice Department's recommendations to prevent the misuse of patents to control production and prices. The nub of the Justice Department's proposals is that if the owner of a patent grants a license, the license must be general and unrestricted unless he is prepared to demonstrate that a particular restriction is necessary to promote science and useful arts.

What Kind of Competition?

The "monopoly committee" isn't ready yet to suggest a thorough-going revision of the anti-trust laws but reported that "this possibility may be definitely indicated for the future." The committee still has to explore the facts behind several main questions:

What is the effect on competition, on employment—on prosperity, if you will—of the substitution of organized commercial effort for individual commercial effort?

Is there any different rule for competition among corporations from that for competition among individuals?

What are the proper standards of corporations doing interstate business?

Such questions portend interesting answers before TNEC disbands next year but for the present its recommendations are confined to putting more teeth in the anti-trust laws as they stand.

Prompted by Thurman Arnold, the committee urges addition of stiff civil penalties, on the ground that the Department of Justice today is confronted by a choice between ineffectual administration (through an action in equity) and criminal enforcement in which the real—and often unfair—punishment for most

business men is the indictment before the trial.

Already embodied in a bill by Sen. O'Mahoney (*BW*—July 19, p7), the civil remedies are plenty tough. Damages would run to twice an offending company's net income and twice the compensation of the officers or directors involved during the period of violation. Couched on the proposition that men are responsible for the conduct of corporations, the penalties also include suspension or termination of the employment of responsible officials.

To close the loophole in the Clayton Act, which was designed to prevent monopolistic mergers, TNEC reiterates the Federal Trade Commission's prayer to Congress that acquisition of assets be declared unlawful under the same conditions as apply to stock; also that the law should be extended to cover acquisition of stock in one or more instead of two or more corporations.

Another amendment to the Clayton Act would, however, prevent the closing of what may be the only available market for the assets of a corporation headed toward bankruptcy. In such circumstances, it would permit acquisition of assets by a competitor, if he's innocent of collusion to sink the business.

What's Holding Up Housing?

20% cut in labor costs would only reduce fixed charges 4.67%, TNEC hears. Similar cut in financing costs would have four times as much effect.

WASHINGTON (*Business Week Bureau*)—In probing the housing problem, the Temporary National Economic Committee has encountered the pat reason usually given for the lag in construction: the cost of labor (see page 35), materials, and money which go into houses is too high. But the committee also encountered contradictions.

If low wage-rates stimulate housing, why isn't adequate housing built in the South where wage rates are lowest? Evidently the housing situation is overlaid by larger economic problems and these are not confined to Dixie.

To what extent is the cost of materials actually to blame? The answer is negative in the sense that the effect of any probable reduction on capital cost is likely to be small. Even smaller, the committee found, in regard to labor. Ex-

cept in the big cities, non-union labor is largely employed on residential housing and union wage rates are by no means as rigid as supposed.

Cost and Price Aren't Parallel

In considering the savings that might be made by cuts in labor and material costs, the testimony presented to TNEC tended to confuse the cost and the purchase price of a house. What it will sell for depends on real estate activity and a host of accidental factors. Theodore J. Kreps, of TNEC's consulting staff, said that original cost and sales price neither rise nor fall together, even in the same city for the same type of house at the same time. Dr. Kreps laid down the proposition that the monthly carrying charge, consequently, is the really important item, as this factor only is directly related to the price.

Robert Davison, the Pierce Foundation's director of housing research, estimated that a 20% cut in materials costs would knock 9.33% off monthly fixed charges, a like cut in labor costs 4.67%, while 20% off interest and amortization costs would subtract 16.69%.

Mortgage interest rates have declined steadily since 1931. Morton Bodfish, executive vice-president of the U. S. Building & Loan League, said that rates focus at 5% and 5½%, with considerable at 6% and some as low as 4½%. TNEC was interested to learn whether any further reduction could be expected. Bodfish was dubious. The cost of money to building associations is 3% to 3½%, their cost of doing business is 2% and they figure ½% for risk. The committee learned that the floor on the cost of money is fixed by U. S. savings bonds, yielding 2.9%.

An Attack All Along the Line

Drama was supplied to the hearings by Thurman Arnold. The resourceful assistant attorney general disclosed to TNEC his hopes to crack building costs by simultaneous prosecution in the large cities of building material manufacturers, distributors, contractors, and the unions who play ball with them in tying up competition.

Arnold, who has been fairly successful in talking Congress into filling his war chest, is planning to launch a batch of grand jury investigations early in the fall in New York, Chicago, and other big cities.

Twenty men here and half a dozen in

Design for Living for 40,000 People



Wide World

Here's a start on a private (not government) answer to the much-mooted housing problem—the Metropolitan Life's \$55,000,000 development in the Bronx. Early next year, the first families will be moving into apartments designed to rent at \$12 to \$14 a room to people with incomes ranging from \$1,500 to \$4,000 a year.

Actually not many families in the \$1,500 bracket are apt to get in. Bulk will earn from \$2,000 to \$3,000 annually. When finished there will be 12,269 apartments, capable of housing a 40,000 population. Landscape and recreational facilities take up 51% of the 129½ acres (New York City normal: around 20%).

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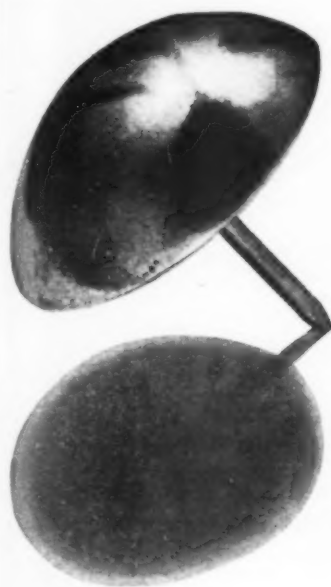
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Let's get down to
BRASS TACKS
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COMPTOMETER ECONOMY


It's easy to say "Comptometers save time and money in handling figure work." They do, of course — but we'd rather get down to "brass tacks." The business and industrial concerns listed here are among the increasing number of organizations handling *all* their figure work by Comptometer methods. Quoted are excerpts from statements made by these users.


 **WILKINS-CASTLE-WILKINS, INC.**, Dry Cleaning, Syracuse, New York, uses one Comptometer. "The Comptometer enabled us to dispense with two other machines. We estimate this Comptometer saves us \$625 yearly."


 **RICHMOND GLASS SHOP**, Richmond, Va., uses one Comptometer to handle ten different classifications of figure work. "This machine saves us about \$35 weekly . . . also enables us to give estimates by telephone, saving time for us and our customers."

 **PASCO MEAT PRODUCTS CO.**, Buffalo, New York, uses one Comptometer. "The Comptometer saves us 75 to 100 working days per year. The Controlled-Key enables us to balance, on the first run, a weekly sales analysis of about 14,000 items."



 **CAMPBELL HEATING COMPANY**, Des Moines, Iowa, uses two Comptometers. "The Comptometers save us approximately \$1000 annually. We would not think of using a calculating machine without the accuracy safeguards which are Comptometer features."

 **DAIL STEEL PRODUCTS CO.**, Lansing, Mich., uses three Comptometers. "Comptometer methods have met our figure-work requirements perfectly. The Controlled-Key and other accuracy features are indispensable."

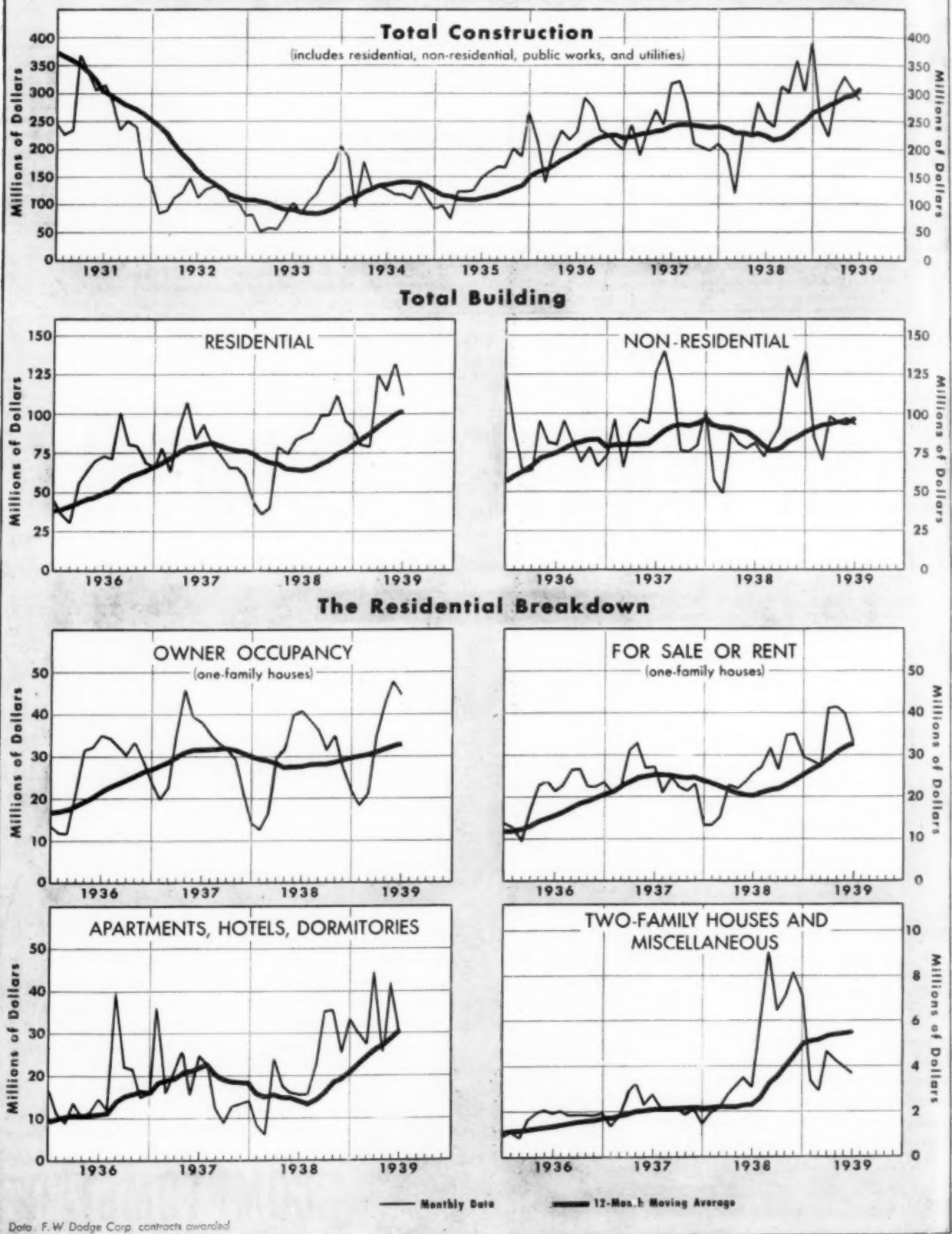
 **HENRY FISCHER PACKING CO.**, Meat Packers, Louisville, Ky., uses four Comptometers. "We find that the Comptometers save us 5 or 6 hours of overtime each week, and we are able to get reports much more promptly. In all, these four machines save us about \$3500 annually."

Whatever your business . . . whatever your figure-work problems . . . it is likely that Comptometers and Comptometer methods can reduce your figure-work costs. It's a simple matter to find out — without obligation, of course. Telephone your local Comptometer representative, or write direct to Felt & Tarrant Mfg. Co., 1733 N. Paulina St., Chicago, Ill.

COMPTOMETER

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PERSPECTIVE ON CONSTRUCTION -

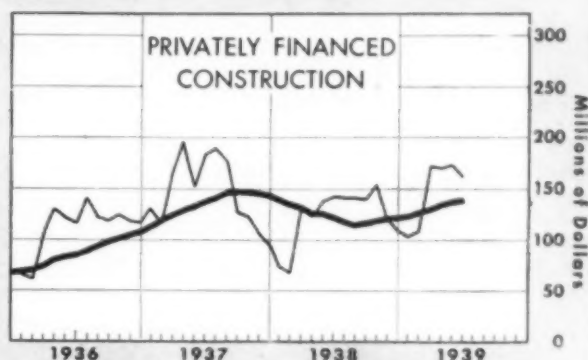
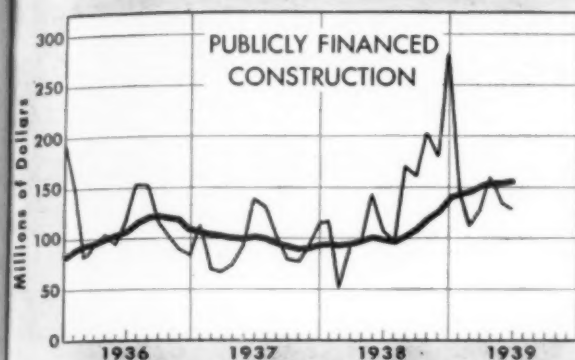


In its broader outline, the building industry promises to move steadily ahead, even though in its detail the prospect is not uniform. Residential building, which so far has been the bell-

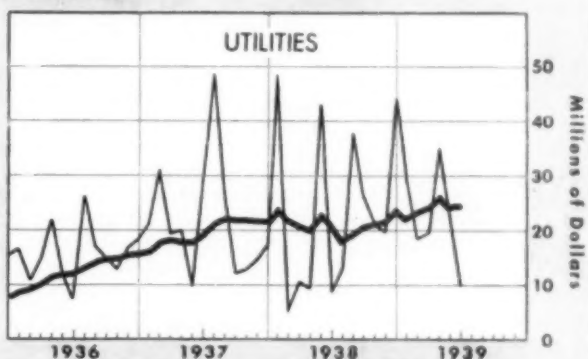
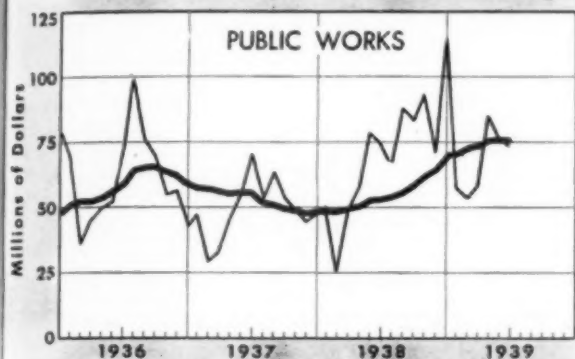
wether of recovery, has turned down along with publicly-financed construction. On the other hand, factory and commercial building operations are still nicely on the rise, as is

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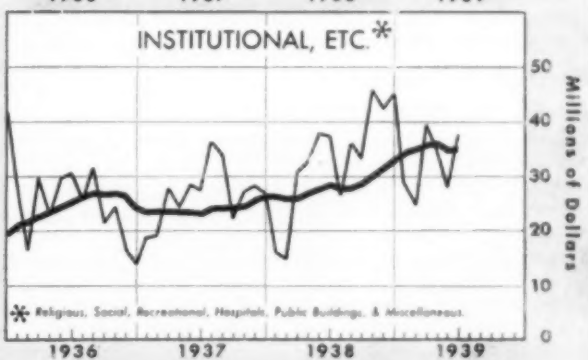
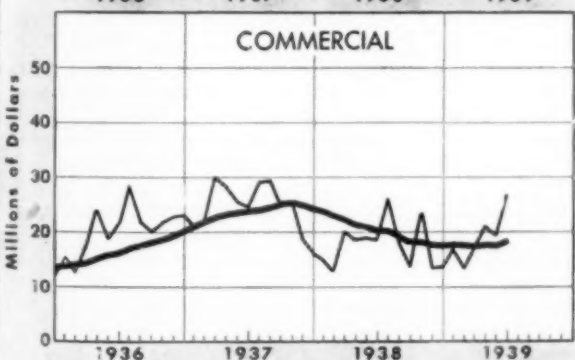
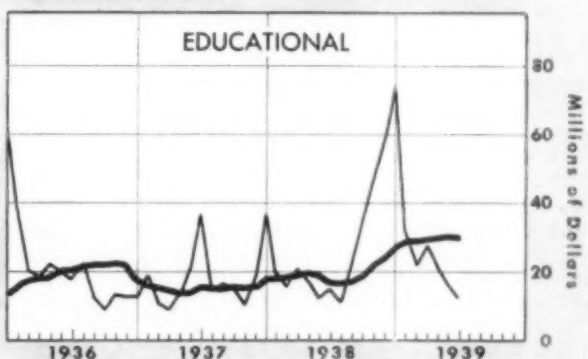
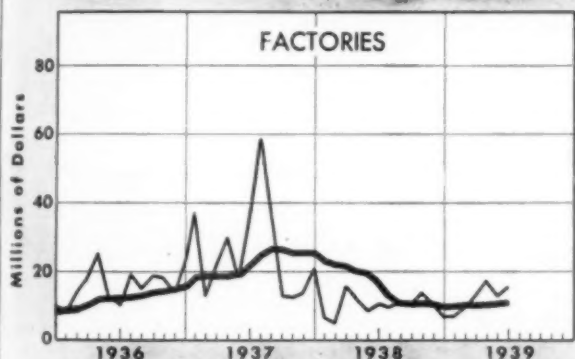
-WHO BUILDS AND HOW MUCH



Heavy Construction



The Non-Residential Breakdown



* Religious, Social, Recreational, Hospitals, Public Buildings, & Miscellaneous.

— Monthly Data

— 12-Month Moving Average

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indicated by actual monthly and moving average statistics on contracts awarded. Thus, a natural business question arises: Will industrial building now take up the slack where residential

building seems to be leaving off? Or will improvement in business in general serve as a prop to residential building, as formerly residential building was a prop to general business?

the field are accumulating evidence on complaints about conditions in the building industry. Dr. Kreps was frankly doubtful that Arnold's strategy would be of any permanent benefit. "In this disorganized industry," he said, "everybody tries to get all he can extract for his particular bit of all the goods and services that go into building a house." Even if such finagling is broken up by competition or government action, Dr. Kreps opined that it tends to grow back like a beard after a shave. It appears that Leon Henderson and other prime movers back of TNEC's inquiry, who picked Kreps for the job of evaluating the testimony presented to the committee, don't see eye to eye with Arnold.

Where Second-Hand Rules

While the automobile industry meets the needs of 80% of its low-priced market, the home building industry satisfies only 10%, according to Mr. Davison. That situation is taken care of by second-hand housing, according to Mr. Bodfish. The "filtering up" process—from second-to first-hand houses—produces much new building, but Dr. Kreps had something to say on this, too. He explained that during the '20s families moved into new houses about once every 11 years. About 25% of the families, or 6,000,000 of them, could afford the housing then produced, and roughly 700,000 units a year were built. However, in 1936, 85% of the new homes were built for the upper 10% of the income classes. To provide 700,000 new units a year now, the 2,900,000 families at the top would, it is estimated, have to move into a new home at least every fourth year.

Granted that little has been done to provide dwellings for families of \$1,000 to \$2,000 income, TNEC wonders if home ownership is a good thing. Isador Lubin of the Bureau of Labor Statistics estimates that bare maintenance of housing somewhere near present levels would require annual construction of 525,000 units. But Dr. Lubin raised the question whether it should be made easy for a \$1,500 worker to purchase a home without assurance of steady employment.

"Housing" or "Homes"?

In reply, Mr. Bodfish of the Building and Loan League pleaded the economic and social values of home ownership. In his opinion a \$1,500 income in smaller cities definitely represents ability to buy a home. He was frankly concerned over the growing emphasis on "housing" rather than on "homes" and on renting rather than ownership. Before the hearings concluded TNEC's thinking was clearly pointed in that direction.

In summing up, Dr. Kreps argued that one of the most important steps to lower cost housing would be integration of the home-building industry—now a loose bundle of crafts and enterprises—through the formation of large building compa-

nies. Such companies might build for rent or for sale, taking advantage of the techniques available for increasing efficiency through mass production and carrying on operations independently of the vagaries of single local markets. In this mode of operation, Dr. Kreps saw hope for greater utilization of capital and labor at

a profit, without resorting to government aid in various forms as at present. Dr. Kreps urged incidentally that the government go slow on subsidized public housing, financed and built to last for sixty years, warning that housing needs in particular localities are likely to change in a much shorter period.

"Basic Houses:" \$1,600-\$2,600

Four Hoess brothers of Hammond, Ind., stumbled on plan of selling unfinished homes to people, who move in and finish the houses in their spare time.

THE FOUR Hoess brothers of Hammond, Ind., own a successful small jobbing machine shop. But to their surprise they find themselves in a focus of publicity arising out of a sideline activity. Frank L. Hoess was subpoenaed last week by the Temporary National Economic Committee at Washington as someone who might impart to the nation his secret of low-cost housing at a profit. The brothers are swamped with reporters, photographers, and newsreel men.

Back in 1926 they bought 34 acres of land eight miles out of town as an investment. They paid \$15,000 cash, and nobody would buy it from them. A couple of years ago they subdivided it and started a building program. Their original idea was to build a double garage on each one-acre lot, sell the unit to a poor workman from local steel mills or oil refineries. The buyer and his family would camp out in the garage until they accumulated enough money to build a house.

To give every buyer a frontage on the hard road with its bus line, they made their lots about 55 by 740 feet. They built a 20 by 20 garage and showed it to their first prospect. He promptly upset their entire scheme.

First Prospect Was Crucial

He said, in effect: "This is just what I've been looking for. Only I'm not planning to build a house later. It will be long enough before I can get this paid for as it is. Sell it to me with a floor. I'll put in my own partitions, do my own painting and plumbing and hang my electric fixtures."

They sold him the unfinished building and an acre of ground for \$1,600. And they changed their entire program. They decided their first buyer knew more about the housing problem of the poor than they did. So they set out to build what someone has since termed "basic houses." The least possible house adequate to shelter a family decently would be the easiest house for such a prospect to buy. The buyer could always add more rooms when he had the money or an urgent enough need. By building the

houses, Hoess Bros. would set the building line as well as control the exterior ensemble.

Since that first effort they have bought more land, have built and sold 42 houses, each with an acre lot, for prices between \$1,600 and \$2,600. Two more houses are going up right now. There are no tricks about the construction method. They lay four or five courses of concrete blocks on a concrete slush footing. Then they lay the floor. Next come the sides and roof. After this come wiring and room partitions. It takes about 10 working days. Usually the house is sold before it reaches this stage. More often than not the buyer decides he will do his own painting and other final jobs. Hoess Bros. cheerfully turn over the house to him at any stage of completion, once it is enclosed, and deduct from the price whatever this saves them. The house is well built of good material by union workmen, with no skimping.

Buyers Add the "Accessories"

The biggest, most expensive house is 24 by 28 feet. Each unit includes an acre, a shallow well with hand pump, a sanitary outdoor WPA-style privy. There is no basement, no heating, no electric fixtures, no plumbing. These the buyer can supply and install as he needs and can afford them. The buyers are all workmen who know how to use their hands. For garages and furnaces they build lean-to utility rooms to harmonize with their houses.

Terms are highly flexible. Each prospective home-owner is carefully checked as a moral risk before he can buy a house on a shoestring. The seller tries for 10% down, sometimes gets 15% and sometimes nothing. The lower the down payment, the higher the first year's monthly payments to make up the deficiency. A typical sale has an unpaid balance of \$2,000. Typical level monthly payment is \$25, which takes care of interest and principal. There are no fees or financing charges. Interest is flat 6%, computed monthly on unpaid balances.

A Hammond real estate man sells the places by going out evenings and week-

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Accounts	Social Security
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Assessment Records	• Licenses
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Public Service Bills	• Relief
Tax Collection	• Voters' Lists

ADDRESSOGRAPH-MULTIGRAPH CORPORATION *Cleveland*

ADDRESSOGRAPH-MULTIGRAPH OF CANADA, LTD., TORONTO

Sales Agencies in Principal Cities



The Hoess brothers (left, above) run a machine shop in Hammond, Ind., but they are in the news today because of a sideline they embarked on two years ago—a low-cost housing project (right, above) eight miles



out of town. In all, 42 houses have been built and sold, for prices ranging from \$1,600 to \$2,600. Called "basic" homes, they consist of the least amount of house necessary to shelter a family.

ends to sit until a purchaser appears. This low-pressure selling costs him little, makes him satisfied with a low rate of commission. The typical purchaser has a factory job, earns \$1,200 to \$1,500 a year. While he does the heavy work in his spare time, his wife and children paint the house and hoe the big garden. He spends every spare dollar buying sinks and lumber.

"Those guys have to be tricked into it," explains John P. Hoess, who manages the real estate. "Most of them wouldn't ever buy if they knew how much work there would be. As it is, they are getting ahead for the first time in their lives, and by the only method most of them could use—working harder. It figures out, actually, that they are getting their homes rent-free by working in their spare time producing garden truck and improving the value of their property."

Frank L., who is head man among the brothers, ascribes the operation's success to giving the poor man a house he can

really afford. "When you put a \$25-a-week man \$5,000 in debt for a new house, either you have to subsidize him from public funds or he is bound to lose the place if he runs into hard luck. When he owes \$2,000 and keeps making the place more valuable by his own efforts, you start him with something he can easily carry and pay out."

Take In Over \$1,000 a Month

In more than two years, including the unemployment of 1937-38, the Hoesses have had to repossess only two sales. Their policy is to meet the hard-luck customer better than halfway, and thus far they have had only the two unfavorable experiences. Since the brothers are paying cash on the barrelhead for everything they buy, using their own money, the only effect of deferring a payment is that it curtails their ability to build still more houses.

Their trouble now is that they are running out of money. But they are taking in better than \$1,000 a month

in payments, and are building a house or two every month with this revolving fund. They build new houses only when they need them to sell.

The Hoesses believe their city of 63,000 population is typical of every industrial city in its need for housing. They say Hammond could stand 500 such houses a year for 10 years without hurting local property values. There are enough poor families living in trailers and tar-paper shacks to fill up this many basic houses without emptying an adequate house anywhere in the community.

But they are not embarking on any such ambitious program. They are not sticking their necks out by going into debt. Their purpose is purely to obtain a diversified investment that will yield them lifelong annuities and leave estates for their children. So they spread their money in real estate sales contracts to average around \$1,500 inside a few years, and sit tight.

They still wonder why they have attracted so much recent attention.



"Basic" homes have small wells, hand pumps, privies, an acre of ground apiece. They have no basements, no heating, electric fixtures or plumbing. Purchasers—most of whom are \$1,200-\$1,500-a-year industrial work-

ers—can add those luxuries when they can afford them. Most families economize by completing the construction of their houses themselves (left), growing their own food (right).

Can Big Board Do It?

New York exchange calls trust company plan impractical. Outsiders will decide.

THE NEW YORK STOCK EXCHANGE and the Securities and Exchange Commission, for the first time since they buried the hatchet early in 1938, have bumped into a problem which they can't settle around the conference table. But, instead of lapsing into their old ways—rearing back, throwing rocks, and calling names—they've agreed to let a group of unbiased outsiders study it out.

The problem is whether or not there should be a trust company to handle the idle cash and the securities of brokers' clients. Jerome Frank, chairman of the SEC, in his first formal speech after taking over this new job, said that there should be such a trust company or an equally good method of protecting customers (BW—July 30, p. 38). The Big Board, on the other hand, had hired Haskins & Sells, independent public accountants, to make a survey, and the conclusion was that the volume of trading during the last two years couldn't possibly support it.

The Washington gossip writers began to say that the stock exchange and Chairman Frank would never be able to get along, that they had in fact already fallen out. These columnists even went so far as to say that the Big Board hadn't done anything to improve conditions since the Whitney scandal.

They Call on the SEC

These stories came as a profound shock to the stock exchange management. The Big Board feels that it has markedly increased its vigilance over customers' funds and that its present system of checking up on members is mighty rigid. However, the charges weren't the type of thing which could be settled in the public prints, so Pres. William McC. Martin, Jr., and Chairman Edward E. Bartlett, Jr., of the exchange set out for Washington late last week.

The stock exchange officials agreed with the SEC chairman that none of the parties in the case had the answer. So the stock exchange suggested that a public committee be named to investigate the whole matter and render a report. Chairman Frank agreed to the proposal, and the committee that was chosen follows:

Carle C. Conway, chairman of Continental Can, who headed the committee which advocated the reforms which resulted in the Big Board reorganization last spring.

W. Randolph Burgess, vice-chairman of the National City Bank of New York and former vice-president of the Federal Reserve Bank of New York.

Roswell Magill, Columbia professor,



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For everyone who likes the friendly charm and attractive natural beauty of wood, we recommend our modern "streamlined" wood files . . . sectional and solid end bookcases for office or home. They are excellent examples of fine wood craftsmanship and priced to meet with wide popular favor.

Globe-Wernicke offers a wide variety of stock and special wood or steel business equipment and supplies designed to speed up routine, save time and money. Consult our local dealer who will welcome an opportunity to serve you.



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Several styles and finishes . . . "grows as your library grows"



SOLID END BOOKCASES
Many sizes and styles . . . adjustable shelves . . . modern designs.

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A Business Machine



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INTERNATIONAL BUSINESS MACHINES CORPORATION
World Headquarters Building, 590 Madison Avenue, New York, N.Y.

Cab Comes First



Biggest order for steam locomotives of the last couple of years, placed some while ago by Southern Pacific R.R., called for 40 units—28 from Baldwin and 12 from Lima. First of the Baldwin jobs to roll down the

line is this oil-burning behemoth which actually travels "in reverse." With cab in front and smoke stack in rear, the engineer gets more visibility and a lot less smoke, particularly when going through tunnels.

and former Undersecretary of the Treasury in charge of taxes.

Walter J. Cummings, who left his job as first chairman of the Federal Deposit Insurance Corp. to head Chicago's Continental Illinois National Bank.

Mr. Conway's attitudes were tested in the former study of the stock exchange. Dr. Burgess is regarded as one of the nation's outstanding men in research. Both Magill and Cummings have enough of the New Deal stamp on them so that Wall Street expects no special favors.

They may or may not advocate the trust company. They may favor insurance for customers' funds in brokers' hands (the insurance companies are actively studying the feasibility of this). Or they may favor some form of guaranty fund to be raised by exchange members. Finally, the big New York banks may come forward with a plan for a brokerage trust company which they can jointly own and manage (the banks have a committee working on this).

However it turns out, the committee's finding will bind the Big Board, because its public relations prohibit its saying, "Aw, you're crazy." And the SEC can take the findings or disregard them. Anyway, it has bridged a dangerous spot in stock exchange-SEC relations.

New Durstine Agency

Former member of Batten, Barton, Durstine & Osborn begins own advertising business.

SINCE EARLY in April, when the advertising fraternity was startled by the news that Roy S. Durstine had pulled out and

sold out from Batten, Barton, Durstine & Osborn, admen have spent a considerable part of their spare time guessing what Durstine would do. The guess most often discussed—that he'd found a new agency—this week came true.

For a couple of months, Durstine has been acting as a consultant to General Motors Overseas, the *New York Times*, and the National Broadcasting Company. He'll continue that work, but has now incorporated and is ready to go after business as a full-fledged agency. The new firm's name: Roy S. Durstine, Inc., 580 Fifth Avenue, New York. Associates: A. T. Gardiner, formerly of *Newsweek* and B.B.D.&O.; John Read Burr, who has been with Kenyon & Eckhardt, the Blackman Co., and Blackett, Sample & Hummert.

Burning question now for agency men is—will Durstine get any of the accounts he has handled in times past? This week he said he hadn't—so far.

Stopping False Tire Claims

IN A SEQUEL to the nationwide tire advertising controversy stirred when Goodyear, Goodrich, and Firestone dealers (*BW—Jul 15 '39, p. 24*) advertised second and third-line tires as first-line tires at a 50% discount, manufacturers in a meeting at Lake Placid, N. Y., last week decided to cooperate voluntarily to eliminate any further false price claims. Procedure will involve sending distributors and dealers price lists of tire companies against which they can check all price claims made in advertising. Upon complaint, the Rubber Manufacturers Association will then seek to bring the offenders into line.

AVIATION

Spreading Air Orders

While government plans to get contracts into more companies, general plane business soars on up.

HEARTY LOUIS JOHNSON, Assistant Secretary of War and chief-apparent of the Army Air Corps' expansion program, held a conference in Washington last week which may have fundamental effects upon the future of the aviation industry. Flanked by a staff of officers in charge of various aspects of the War Department's equipment procedure, he sat down to talk of many things with representatives of the 22 leading manufacturers of planes, engines and equipment who will split up at least 95% of \$170,000,000 worth of contracts for Army flying equipment during the next two fiscal years. After the conference Johnson announced only that many minor problems, connected with the expansion program, had been readily settled; that he was "surer than ever" that the Air Corps will reach its desired strength of 5,500 planes by July 1, 1941.

All Plants Must Be on Job

Aviation experts had not been so sanguine. Recent surveys of the productive capacity of the industry had indicated that our present factories could meet Army and Navy demands, keep up with a reasonable flow of export orders, and continue to supply air line needs without undue expansion—provided all of our plants could be given contracts which would enable each to do a proportional share of the work.

But since April, the War Department had let contracts for more than \$65,000,000 worth of aeronautical material, in strict accordance with Congressional regulations requiring competitive bidding on all sizable orders. Of this, about \$42,000,000 was for airplanes (exclusive of engines, propellers, instruments and accessories). Of this \$42,000,000, approximately \$30,000,000 had gone to Curtiss-Wright and Douglas. Lockheed, Consolidated and North American had won contracts for approximately \$2,500,000 each. The remainder had been split among nine manufacturers in contracts too small to permit any sort of "production basis" operations.

"Cost-Plus" Plan Offered

Under such bidding regulations, the industry feared this tendency toward concentration of big orders in a few of the biggest factories must almost necessarily continue, since companies with big orders already carrying their overhead costs can bid lower on the same types of planes. Means of getting a better spread, say the

experts, was the point of discussion at last week's conference.

What Secretary Johnson would like to do about it, seems to be embodied in a bill submitted to Congress last week by Rep. Andrew J. May of Kentucky, chairman of the House Military Affairs Committee. This would permit the War Department to negotiate plane contracts wherever it sees fit on a "cost plus" basis.

Meanwhile, whether the department gets this permission or works out some other method, no one can get seriously alarmed over the general prospects of any established American plane manufacturer. Exports continue at new record levels—amounting for the first five months to \$38,247,052, which is 31% ahead of the corresponding figure for last year when our aeronautical exports equalled those of Germany, Italy, France, and Great Britain combined. The small plane market, stimulated by the government programs for flight instruction in schools and colleges is now moving toward record volume after years of comparative quiet. The air line companies, reacting to traffic 50% ahead of last year, are beginning to boost orders for new main line equipment. Last week, as had been predicted by *BUSINESS WEEK* (Jun 24 '39, p. 21), United Air Lines began to move toward super-sized transport planes by ordering six 42-passenger Douglas DC-4, four-engined airliners. Contract price for the six, ready for service: approximately \$3,000,000.

British Plane Push

Already output equals the Reich's, and its rate is growing much faster than the German.

LONDON (*Business Week* Bureau)—England's airplane production has caught up with Germany's, and the British rate of output is increasing much more rapidly now than the German.

By the end of 1939, British production will top 1,000 planes a month.

Nearly 200,000 workers are pushing British aircraft output to record levels. This is almost as many workers as are employed in the entire British automobile and motorcycle industry. The Gloster Aircraft Co. alone has boosted its payrolls from 400 workers in 1934 to 6,400 at the beginning of 1939, and this will jump to 8,000 by the end of this year.

British aircraft production and Britons' confidence in their ability to meet domestic aircraft demands have reached the point where air authorities have recently agreed to supply France with Rolls Royce Merlin engines until production can be started in the French plant of the Ford Motor Co. which was recently licensed to make the engines in France (BW—Jul 15 '39, p. 48).

Though Britain theoretically restricts profits in the aircraft industry to 6%, leading aircraft industries last year paid

Best way to appease a DICTATOR

(A TIP TO SECRETARIES
... AND DICTATORS, TOO)



1. "I guess my boss was under more pressure than any other man in town—and it was pretty hard on me, too!"



2. "He used to keep me hopping—taking dictation, looking up things and giving me instructions."



3. "It was no wonder we had confusion and he was irritable. I never seemed able to keep up with his work."



4. "Turning point was the day I prevailed upon him to arrange for a trial demonstration of the Dictaphone."

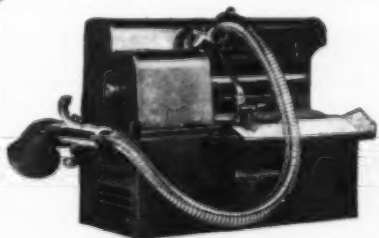


5. "Now he's a changed man. He can give his Dictaphone all his dictation whenever he wants to, and..."



6. "I'm free to do my part of the work while he does his... making both our jobs run smoothly and on time."

Do yourself a favor! Talk to the Dictaphone man next time he calls. Then try this modern dictating machine — at our expense. Prove to yourself the greater ease and efficiency of the Dictaphone method.



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For good looks, sturdiness and economy —build with **CONCRETE**

PUBLIC and commercial buildings take a thousand shapes and forms, but they all share one vital requisite—*economy of first cost and maintenance*. This need for economy, plus the desire to get permanent and architecturally pleasing structures, is the reason why prudent investors put their building dollars in concrete.

Scores of recent contract awards testify to the low first cost of concrete. It's an inherent advantage of casting walls, floors and decorations as one rugged unit. But that's just one advantage. Equally important are the fire-

safety, strength and low maintenance of concrete.

Ask your architect or engineer about the advantages of concrete for your new building. It is adaptable to any architectural style; can be molded into any decorative shape or wall pattern.

Write for the free booklet, "*The NEW Beauty in Walls of Architectural Concrete*," or ask for one of our engineers to call.

PORTLAND CEMENT ASSOCIATION

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A national organization to improve and extend the uses of concrete—through scientific research and engineering field work.

Architectural Concrete . . . ARCHITECTURAL AND
STRUCTURAL FUNCTIONS COMBINED IN ONE FIRESAFE, ENDURING MATERIAL

dividends ranging from 15% to 42%.

These are highlights in *BUSINESS WEEK's* latest survey of the British aviation industry. Following up an earlier study of Britain's drastic efforts to put its war industries on a wartime basis in the shortest possible time (*BW—April 28, p. 14*), it is discovered that Britain, at the end of June, had 31 shadow factories in operation or under construction. Of the 16 of these for which the Air Ministry is responsible, 11 are in full production already and the twelfth is nearing capacity output. Only two months ago, plans were announced for a \$25,000,000 airplane engine plant to be built at Glasgow by the Rolls Royce company. More than 10,000 workers will be employed when the factory is in full production.

Right now the British are turning out about 700 planes a month. About one-third are trainer planes, and the rest are more or less evenly divided between bombers and pursuit planes.

Pledges Reassure Industry

Four plans have been worked out by the British to speed their output of armament materials, particularly airplanes.

The first was the extension of existing plant by guaranteeing to manufacturers that the government would meet standing charges if the demand should prove insufficient to keep the plant fully occupied on the completion of the rearmament program and that, if the firm had been unable to write off the capital cost of the extensions, the government would meet the deficit in these construction costs.

Supplementing this plant expansion program was the so-called "shadow plant" scheme whereby industries, particularly in the aircraft and automobile fields, built supplemental factories at government expense and agreed to operate them for the government. These two plans were mainly responsible for the increased output up to the end of 1938. Estimated government expenditure on its part of these expansion schemes amounted to about \$20,000,000 in 1937-1938, and to more than \$26,000,000 in 1938-1939. For the current fiscal year, beginning last April, they are expected to soar to more than \$80,000,000.

More "Shadow Plants"?

There is a rumor in London now, though it cannot yet be confirmed, that the Standard Motor Co., the Daimler Co., and Rootes Securities, Ltd., are ready to build three new shadow factories. Standard is already responsible for two, and Daimler and Rootes for one each. The cooperation of Lord Nuffield, head of Morris Motors, with the government's efforts to meet emergency engine demands in the aircraft industry is behind the plans for the massive \$15,000,000 Morris factory now under construction at Castle Bromwich.

The third project for boosting output

really started last October when the government sponsored a vast scheme for letting out subcontracts for all kinds of parts. Vickers Armstrong initiated the plan with the construction of a large new assembly plant at Broughton, Cheshire, to be fed with parts produced by the Vickers group and other engineering firms.

In the following month it was announced that a similar scheme was being put in hand by Associated Electrical Industries, while the shipbuilding firm of John Brown & Co. entered the aircraft field in association with Westland aircraft, and the English Electric Co. in association with Handley Page. A total of 3,500 engineering firms whose plants were not fully occupied with ordinary business were organized by the Vickers combine to turn out parts for the airplane industry under this subcontracting program.

The group scheme, which is the latest development, is only the refinement of the other three, for it aims to group existing firms in batches of four or five which are then regarded as a separate unit for both development and production. It is essentially a rationalization plan with the double object of reducing the number of designs in service and facilitating economical and quantity production.

How Much Profit in Arms Boom?

Profits are a matter of real concern. The government has allowed a margin of 6% on turnover, but this has been shown to amount to 13% or 14% on the paid-up capital of the industry. Manufacturers argue that the present level of production cannot possibly be regarded as normal and, even allowing for government-owned capacity for which they are not responsible when the arms boom is over, they contend that their private plant will be far in excess of normal peacetime demand and that therefore they are entitled to build up certain reserves for amortization. Nevertheless, such dividends as the 42% declared last year by both Hawker-Siddeley and Short Bros., as well as the 36% declared by Handley Page tend to keep the profit question in the discussion stage.

Flashback to 1937

NOW THAT TWO YEARS have passed since the abortive strikes against "Little Steel," the Steel Workers Organizing Committee (C.I.O.) figures that a review of the situation should be had. To that end Philip Murray and his board of regional directors, who hold contracts with 595 firms covering a half million employees, will open a parley next week in Chicago. Status of present NLRB cases will be reviewed, and possibility of new organizing drives against Bethlehem, Republic, Inland, and Youngstown steel companies will be discussed.



Are you buying a NEW Overhead Crane? Look carefully into these hidden values

Overhead traveling cranes may look very much alike. But after a few short years of service, most cranes become noisy. And a noisy crane is a wasteful



Herringbone Gears

crane. Noise means wear, higher maintenance costs, shorter crane life, wasted power, and slower pick-up.

Whiting cranes are noted for their smooth, quiet operation. Herringbone gears transmit power quietly and efficiently—outlasting spur gears two to one. Roller bearings keep the gears in permanent alignment, thus reducing gear noise and wear. They also save power, give faster pick-up, and require less attention. Flexible couplings relieve strains on shafts and bearings. Gear units operate in a dust-tight oil-bath. Pre-

cision machining and sturdy construction of all parts guarantee crane movement without binding during the long life of the Whiting crane.

Listen to other cranes... then listen to a Whiting. You will soon discover why Whiting cranes give such long service at low cost. Made in capacities from 1 to 400 tons.

Whiting Corporation
15661 Lathrop Ave., Harvey, Illinois

HOW TO WRITE

a Traveling Crane Specification

Tells how to order a crane to fit your needs. Mailed free to executives.



IT PAYS TO GET A QUOTATION ON
WHITING
OVERHEAD TRAVELING CRANES

Cooperatives Adopt Grade Labeling

CO-OP FOOD FACTS

These peaches differ from the average pack of the freestone type principally in the flavor resulting from maximum ripeness and use of a light ripen. Even in home canning it is hard to match this flavor. Because peaches shipped to market must be not ripe when picked, size and number of halves vary somewhat since a perfect for the run of the orchard was necessary to get this degree of fruit maturity.

GENERAL DESCRIPTION

Type	Freestone Elberta
Size of Cans	Light
Contents	1 lb. 13 oz.
Number of Halves	6-11
Servings	5 to 7

Most businesses are owned by one group of people and used by another. A Cooperative is owned by the same people who use it. Naturally they seek to provide themselves with the best goods at the lowest cost. Since one cannot have a credit out of oneself, they conduct their business on a non-profit basis. Membership in a genuine Cooperative is always open to all. Join and support yours!

PACKED FOR NATIONAL CO-OPERATIVES, INC. CHICAGO - ILLINOIS
MEMBERS IN MINNEAPOLIS, SUPERIOR, NORTH KANSAS CITY, CHICAGO, NEW YORK CITY

Last week National Cooperatives, Inc., the central buying federation for five regional wholesale cooperatives dealing in groceries, adopted A-B-C grades on its labels, thus satisfying a basic demand of the consumer movement. Color is another indication of quality—red for first quality goods and blue for second quality. On some goods for which there are no U. S. Bureau of Agricul-

tural Economics standards, A-B-C grades are omitted (as the picture shows), but retention of the color scheme gives the consumer a key to quality. These are graded by co-op dieticians according to size, variety, and contents, and carry descriptive material about the product and the cooperative movement. Differing regional labels are eliminated for a national Co-op brand design.

MARKETING

ADVERTISING • MERCHANDISING • SELLING

Anti-Trust Decision Too Generous

Federal officials complain of Judge Woodward's "liberality" in knocking out milk indictments. Expect Supreme Court to reverse him

WASHINGTON (Business Week Bureau)—An appeal to the Supreme Court is expected to elicit an early review of Federal Judge Charles E. Woodward's decision at Chicago last week that since the Agricultural Marketing Agreement Act vests exclusive power in Sec. Wallace to control production, transportation, and distribution of milk, the Sherman Anti-Trust Law no longer governs the industry. The Department of Justice lawyers are laying odds that the high court will make mincemeat of the decision, the terms of which impute to the Secretary of Agriculture a degree of authority which goes far beyond the Supreme Court's own decisions sustaining the federal regulation of interstate commerce in milk and in other commodities.

The decision in effect constitutes a dismissal of the anti-trust action brought last fall before a federal grand jury.

Judge Woodward sustained demurrers to criminal indictments against 14 corporations and 43 individuals including officials of the Chicago Board of Health and officers of the Pure Milk Association. Defendants were charged with (1) conspiracy to fix and hold arbitrary and non-competitive prices paid to farm producers of milk in Indiana, Illinois, Michigan, and Wisconsin; (2) a conspiracy to fix and maintain arbitrary consumer prices in the Chicago area; (3) a conspiracy to prevent independent merchants from selling milk in competition with the indicted firms; (4) a conspiracy to limit the supply of milk flowing into Chicago.

"A study of the statutory policy from the Sherman Act of 1890 to the Agricultural Marketing Agreement Act of 1937 shows a constant and growing tendency by Congress to control and regulate products through the administrative agency

of the Secretary of Agriculture," Judge Woodward wrote. "The whole theory and policy of the Agriculture Marketing Agreement Act is that of governmental control, regulation, and supervision. The production and marketing of agricultural products, including milk, has, so far as interstate commerce is concerned, been removed from the sphere of trade and barter in a free agency to a status of dependency and obedience to the supreme, exclusive, and plenary control of the Secretary of Agriculture, subject to judicial review in the mode prescribed by the statutes."

The court held that the extent of regulation depends solely on the judgment and decision of the Secretary of Agriculture, that if conditions require, he must act; if they do not require action, then all marketing conditions are deemed satisfactory.

Dire Results—If It Were to Stand

Judge Woodward's decision is not accepted at its face value because of his previous antagonistic attitude towards Sec. Wallace's efforts to regulate milk marketing.

Nowhere is the court's decision viewed with the gravity that its ostensible purport would elicit in the absence of the extenuating circumstances. If it were to stand, the decision would produce a situation, as the anti-trust lawyers see it, in which the whole problem of fair marketing of milk and other commodities is thrust into lawless territory because the AAA doesn't pretend to cover more than

a small part of the milk industry's operation. Judge Woodward's decision is construed as holding that if Congress legislates with respect to a particular aspect of the handling of a commodity, the whole operation is moved beyond the reach of the anti-trust laws.

Justice Department officials profess to be rather glad that Judge Woodward's decision has "happened," as they say the relationship to the Sherman Anti-Trust Act and the AAA laws might as well be defined.

The Chicago court's decision will incline AAA officials to proceed more cautiously than otherwise with consideration of the petition of the Pure Milk Association and the Chicago Milk Producers Council for a marketing agreement in that area, on which hearings were held late in June. Despite the increased care which AAA is likely to use in drafting that order, the decision is also likely to speed up its issuance, and Chicago milk distributors are guessing that it will go into effect some time around Sept. 1.

Association Sees Its Chance

The entire dairy industry in the Windy City, from farmers to dealers, heaved a big sigh of relief when the decision lifting the indictments—at least for the present—was handed down. Most relieved of all was the Pure Milk Association, whose membership has dwindled from a peak of about 18,000 farmers controlling some 75% of the area's total production down to an estimated 12,000 and whose very existence has been threatened by prosecution of the case. The association lost no time in capitalizing its momentary advantage. The judge's decision was handed down on Thursday. On Friday, association officials, acting wholly on their own initiative and without the customary consultation with distributors, drafted an announcement that the price of milk was being raised from \$1.35 to \$1.65 per cwt. On Saturday, dairymen had their copies of the announcement, warning them that "continued acceptance of deliveries will be presumed to be on this basis." On Sunday, the price raises went into effect.

—But Distributors Object

The association's bold tactics in issuing the ultimatum may win for it a new measure of farm support but it is going to precipitate a bitter wrangle with the distributors who deny that burned pasture conditions are bad enough to seriously affect the supply, as the farmers claim. This week, the dairymen were hoping to argue the P.M.A. out of its price advance, which averages about $\frac{2}{3}$ of a cent a quart, by pointing out that they would be forced to rescind the 1¢ reduction in milk prices made six weeks ago. Such action would make the whole industry look bad in the public's eyes and strengthen demand for continued prosecution.

WOOD

Foundation of America's Greatest New Industry

● Through planned reforestation, the Gulf South perpetuates its vast timber supply. Southern timber grows rapidly—is easily logged to nearby markets. Across the Gulf South map stretch some hundreds of millions of dollars worth of pulp and paper mills. Millions of forest acres await the continued influx of the pulp and paper industry.

Transportation in the Gulf South—by rail, water, highway and air—leads to new nearby markets in Mexico and Latin America—and covers the big local markets. The Gulf South offers a mild climate . . . moderate living costs . . . good schools . . . reliable, intelligent, white labor . . . plenty of land . . . low taxes (ten years' remission in certain areas!).

Industry is decentralizing southward to a friendlier atmosphere. Move to the Gulf South, where you are wanted and appreciated by your neighbors!

★ THE *Gulf* SOUTH



Invites
Industry

For information on GULF SOUTH opportunities write to
INDUSTRIAL DEVELOPMENT DEPARTMENT

UNITED GAS PIPE LINE COMPANY

FOR TEXAS, Mail received at: Beaumont, Beeville, Dallas, Fort Worth, Houston, Longview, San Antonio and Wichita Falls. FOR LOUISIANA, Mail received at: Baton Rouge, Lake Charles, Monroe and Shreveport. FOR MISSISSIPPI, FLORIDA and ALABAMA, Mail received at: Jackson, Mississippi.

ALL INQUIRIES CONSIDERED CONFIDENTIAL

COPY, 1939. UNITED GAS PIPE LINE CO.

New Showdown on Fair Trade Laws

R. H. Macy & Co. launches critical attack on price maintenance acts, charging book publishers and booksellers with conspiracy and discrimination.

IN MAY OF 1935, the New York legislature enacted the Feld-Crawford fair trade act, permitting producers to fix minimum resale prices on their goods and providing that those minimum prices should be binding even on retailers who refused to sign price contracts.

Soon afterward, book publishers, acting in response to the demand of many booksellers for protection against the price-cutting competition of some department stores, began issuing fair trade contracts, which in most cases stipulated that no new titles should be sold at less than the full list price for one year after publication. Almost simultaneously, R. H. Macy & Co. began its attack on the new price-fixing laws. The New York department store, biggest in the world, issued a tract called "The Author's Wallet," which was designed to show that all previous attempts to stabilize book prices, notably in England, had resulted in drastically reduced book sales. Macy's was especially militant, for its book department, commonly recognized as one of the biggest and best in the world, has always provided good loss-leader bait with which to draw a high class of moneyed trade into the store.

In January, 1936, Macy's won the first round of its fight in a test case with Doubleday Doran & Co. when the New York Court of Appeals, highest state court, held that the non-signer clause of the fair trade law violated the due-process and equal protection clauses of the Constitution (*BW—Jan 1 '36, p10*).

Then Publishers Score

But in December, 1936, the publishers won the second round (*BW—Dec 12 '36, p13*) when the United States Supreme Court, acting in an Illinois case involving liquor prices and a California auto accessory case, decided that Constitutional guarantees were not abridged by the fair trade laws, which are now enacted in 44 states.

The New York Court of Appeals could then take no other course than to pull in its horns and declare legal and binding the minimum prices set by the book publishers.

Macy's was down but not out. It took a short count, then hoisted an uppercut, right from the resin-covered canvas, straight to the publishers' collective jaw. Taking advantage of the clause in the publishers' contracts exempting book clubs from the price regulations, Macy's announced the formation of its Red Star

Book Club, offering a 25% "dividend certificate" (to be applied toward the purchase of any book) to club members who guaranteed to buy four books, usually price-fixed, at their full list price. Almost in a wink, other department stores organized similar clubs and raised the ante to 30%, which Macy's met.

The publishers were jarred, for they had intended the book-club exemption in their contracts to apply only to established book clubs like the Book-of-the-Month Club and the Literary Guild of America. But with their seconds, the book sellers, demanding that they "murder the bum," they found a way to counter the department store punches. They simply eliminated the book club exemption from their fair trade contracts and thereafter either did not fix prices on titles selected by the old-line book clubs or issued special individual contracts drafted so as to apply to the

regular edition of the book but not the edition distributed by book clubs.

But Macy's, which had a good thing in its book club and knew it, paid no attention. It continued to offer price-fixed books at what was tantamount to a 30% discount, and 64,000 club members continued to gobble them up. After due warning, on Apr. 6 of this year, Harper & Brothers, Harcourt, Brace & Co., Inc., Alfred A. Knopf, Inc., Womrath Book Shops and Libraries, Inc., and the Beacon Book Shop, Inc., filed a joint action in the New York courts, charging Macy's with deliberate—and admitted—violation of the Feld-Crawford fair trade act. On Apr. 21, Macy's replied with a counter suit, charging the publishers with combination and conspiracy in restraint of trade (a violation of the Sherman Anti-Trust Act) and with unfair price discrimination, favoring the old-line book clubs (a violation of the Robinson-Patman amendment to the Clayton Act).

Case Goes on despite Recess

Thus has the third and crucial round begun. Right now, the contestants are locked in a tight legal clinch. By special order of the court, the preparation of a record during the summer court recess was started a fortnight ago. This procedure permits Macy's counsel, Leon Lauterstein, to question witnesses in the presence of their counsel and develop testimony for submission to the court when it begins the fall term.

Macy's has tackled not only the three individual publishers and the two book-retailing chains that brought action against the store, but it has also named as defendants the Book Publishers Bureau, Inc., together with its officers, Curtis McGraw and Stanley P. Hunnewell, and the American Booksellers Association, Inc., with its officers, Augustus H. Gehrs and Robert M. Coles.

Accused of "Coercion"

Macy's charge of combination in restraint of trade rests on the allegation that the publishers' contracts were virtually identical in phrasing (a circumstance characterizing most fair trade contracts in any given industry), that they uniformly set the full list price as the legal minimum for one year, that they provided common exemption for the old-line book clubs, and that they uniformly prohibited the giving of gifts with the effect of reducing the fixed selling price. It is also charged that the publishers and book sellers made common cause in enforcing their minimum prices "by divers means of coercion, intimidation, threats, and persuasion" and that to this end they "have solicited contributions to a common fund."

The Robinson-Patman complaint, charging price discrimination, alleges that the Book-of-the-Month Club and the Literary Guild can buy books at

Commerce Head



Richard P. Brown (above) is the first Secretary of Pennsylvania's new Department of Commerce. Recently appointed by Governor Arthur James, the chairman of the board of the Brown Instrument Co., and Vice-President of Minneapolis-Honeywell Regulator Co., will now work on the industrial expansion and development of Pennsylvania, with an eye to increasing jobs, and reducing taxes.

"less than half the prices charged for the same books" to other retailers who must compete with the book clubs; that the book clubs can print their own editions from publishers' plates on terms not accorded other retailers; and that book clubs have been permitted to sell such books as monthly selections or distribute them as dividends free from price restrictions, while other retailers had to sell the same books at higher fixed prices.

It is argued that for these reasons of discrimination the publishers do not come into court with clean hands, and furthermore that they are not entitled to relief because the change in the contracts, designed to outlaw Macy's Red Star Book Club, threatened destruction of valuable good will which the store had built for itself by means of its book-selling operations. Finally, Macy's contends that each publisher enjoys a monopoly in the books he publishes, that he can and does prevent competition by restraining other publishers from reproducing his books, and that consequently books are not goods "in fair and open competition with commodities of the same general class produced by others" as required by the fair trade laws. Obviously hoping for a hearing before the United States Supreme Court, Macy's also tacks on an argument attacking the Constitutionality of the fair trade laws in the hope that a revamped court, which no longer includes that outstanding defender of the little man, Justice Brandeis, will reverse the earlier decision.

Out to Break Means of Pressure

Macy's seeks a permanent injunction against the publishers and book sellers as well as damages, which, if awarded, would be trebled because the suit is brought under the anti-trust laws, but trade observers feel that Macy's would be content with any decision which established a firm judicial precedent against concerted action in the drafting and enforcement of fair trade contracts.

Macy's has repeatedly contended that the fair trade laws, despite their permissive features, are chiefly useful as instruments of pressure in the hands of organized independent retailers. It is argued that the whole fair trade law pattern of price regulation would fall apart if retailers were restrained by a strong precedent from joining forces to compel producers to stabilize prices, and—more importantly—if producers were similarly restrained from joining forces under retailer pressure to enforce their contracts by lawsuits, too expensive for individual producers or retailers to institute alone. And Macy's obviously feels that if it can win the book suit, it can make out as strong a case, or even a stronger one, against combinations of retailers and producers in other fields where the fair trade laws are popular—notably, liquor and drugs.



How GOOD is a CHECK?

No matter what a check looks like, it's just as good as its maker. That is also true of a wire rope.

Like a good check, "Flex-Set" wire rope is made by a good company -- one whose manufacturing and financial standing has been firmly established for many years -- the Broderick & Bascom Rope Co. Founded during the depression of 1874 to '79, it has weathered eight other major depressions. Though the founders have passed away, their sons are carrying on in the progressive spirit of their forebears.

An indication of progressiveness was the quick adoption of the preforming process -- the most revolutionary and valuable change in wire rope manufacture in 35 years. Now, all grades of Broderick & Bascom wire rope may be had in "preformed" construction. Yellow Strand has always been top grade. "Flex-Set" Preformed Yellow Strand is this same high grade rope, brought even closer to perfection by preforming.

In practically every industry it is establishing marvelous records for long life and economy -- in road building, general construction, rotary drilling, logging, mining, quarrying, the operation of industrial plants.

Learn more about "Flex-Set" Preformed Yellow Strand by writing any of our offices, branches or distributors.

BRODERICK & BASCOM ROPE CO., St. Louis

Branches: New York, Chicago, Seattle, Portland, Houston. Factories: St. Louis, Seattle, Peoria.
Manufacturers of all grades and constructions of wire rope, preformed and standard, for every purpose.

"FLEX-SET" PREFORMED YELLOW STRAND



Before the speeches, business men (left) stocked up on food and drink at Fort Washington, Maryland, where the Patman backers discussed the anti-chain store tax bill. At right, Rep. Wright Patman has a little talk

with Rowland Jones, secretary of the National Association of Retail Druggists, on board the City of Washington, which carried the party on its outing down the Potomac last Sunday afternoon.

Anti-Chain Weakness

Small number of Congressmen and others turn out to support Patman tax bill.

IN ITS FIRST public show of strength the Patman chain store tax bill movement showed itself to be weak—infinity weaker than claimed by Rep. Wright Patman and his immediate followers and far weaker than a number of impartial observers had believed.

Staged at Fort Washington, Md., last Sunday afternoon, after an excursion-boat junket down the hot Potomac from Washington, the first public rally turned out about 150 people, not all of whom were supporters, and resulted in a resolve to build a permanent organization out of the Freedom of Opportunity Legion—the loose affiliation of independent retailers and wholesalers, principally strong in Indiana and Iowa, which Charles G. Daughters has been building up the past two years to support Rep. Patman's legislative program. Its name was changed to Freedom of Opportunity Foundation, and its creed is to be "Local control over local affairs is the true foundation of independence and democracy"; its purpose is to pass the Patman bill.

Advance billing of more than 100 members of Congress failed to materialize when only about 20 showed up, headed by the venerable Sen. Arthur Capper, Kansas Republican, who reminded the crowd he was the man of Capper-Kelly bill fame.

"Little Joe" Byrnes, son of the late

Speaker, evoked applause when he told the gathering to stop speech-making and get down to work. He told them to go home and "build fires" under their Senators and Congressmen, "because that will get action; picnics and speeches won't." Despite this salutary advice, speeches continued. More than one speaker said he was worried about his children's future because of the chain-created lack of opportunity.

Concrete action consisted in adoption of a long resolution calling on Congress to set up a new committee, separate from any now functioning, to investigate chains. Appropriation of \$250,000 was asked, of which \$50,000 should go to the Securities and Exchange Commission to continue its study of corporate-chain accounting methods.

Drive for \$2,500,000

Frank G. Stewart, Washington, D. C., chairman of the legislative committee of the Motor and Equipment Wholesalers' Association, was chosen temporary chairman of the Freedom of Opportunity Foundation. The resolution adopted by the independents called for raising \$2,500,000 to conduct an educational campaign for the Patman bill, with \$50,000 of this to be obtained by Aug. 1. Attempts by Chairman Stewart and others to obtain pledges at the Fort Washington meeting resulted in \$100 in cash and pledges of about \$4,500.

Druggists, grocers, wholesale grocers, automobile and tire dealers made up the gathering, but the best oratorical efforts failed to whip up any of the old-time, fire-eating enthusiasm that put over the

Robinson-Patman law and the fair trade acts. As the afternoon waned, the Fort Washington meeting became desultory, with numerous independents wandering around the grounds waiting for the boat to take them back to Washington.

Haled on Oil Discount

Trade Commission charges Amoco made discriminatory deal with General Finance.

LAST WEEK the Federal Trade Commission cracked down on the American Oil Co. of Baltimore and on General Finance, Inc., of Washington, D. C., which controls the policies of five taxicab companies in the two cities. The commission contends that the Robinson-Patman law was violated by the granting and acceptance of discriminatory prices on sales of more than 100,000 gal. of gasoline a month. Amoco is reported to have sold gas at 5½¢ per gal. below the current retail service-station price and 1½ to 2½¢ below the prevailing tank wagon price. It is also accused of having blinked at contract violations by which General Finance resold the gasoline at low prices to the general public.

Without waiting for formal hearings of the case, oil marketers were citing it this week as a prize case study in what's wrong with the gasoline business today. The whole trade, they say, is shot through with deals and discounts and fixed-margin contracts (by which a filling station operator is guaranteed a profit above his cost regardless of where prices

tumble), and these conditions, as much as the chronic surpluses of crude, account for the instability of prices in the industry.

This instability was never more manifest than in the recent collapse of the attempt which the Sinclair Refining Co. made to hoist prices $\frac{1}{2}$ ¢ per gal. (BW—Jun 17 '39, p34). Along the Eastern Seaboard and in Pennsylvania and Ohio and a few Southern states—territories served by the Standard Oil companies of Ohio, New Jersey, and Louisiana—the price advance was rapidly and effectively whittled away.

Adopt Radio Code

Broadcasters' rules reduce commercial plugs; may limit Coughlin and Cameron.

"RADIO LEADERS have put into code practically every prissy, priggish, and pussy-footing 'verboden' that the Federal Communications Commission has been trying

to fasten on broadcasters for the last couple of years. . . . This writer's guess is that radio's leaders think they are being strategic. . . . We can assure the radio people that that has not been the way in which American newspapers down the generations have kept themselves the only really free newspapers in the world."

So wrote Capt. Joe Patterson, publisher of the *New York Daily News*, in an editorial that appeared the same day last week that members of the National Association of Broadcasters, meeting in annual convention in Atlantic City, ratified by a vote of 148 to 24 a new code of standards for the industry. Whether the code will eventually boomerang, as Capt. Patterson suggests, and, by admitting need of regulation, prove an entering wedge for federal censorship, is a long-time guess. This week, radio time salesmen and advertising agency men were more concerned with the possibility that some of the code's provisions will cut into revenue—for a time, at least.

The code as eventually adopted (see



JOE'S BEEN TURNING OUT MORE WORK SINCE HE GOT HIS MONEY AFFAIRS STRAIGHTENED OUT

How to help your employees get out of debt

It's hard for a man worried by debts to keep his mind on his job. Yet most workers, through no fault of their own, sometimes have emergency bills they can't pay out of current income. Where can they get the cash they must have?

Where workers can get loans

Your company can hardly be expected to act as family banker to all your employees. Banks usually require collateral which wage workers don't own or co-makers whom they can't readily get. Workers can try to borrow from friends but their friends usually need all they can earn for their own expenses.

Household Finance service helps men and women in such a situation. From Household the responsible worker can borrow \$20 to \$300 largely on his character and earning ability. Repayment is made in monthly installments which take only a small part of his current income. Last year this plan helped over 600,000 men and women to obtain cash loans for many different emergencies.

Families learn to stretch dollars

To help families avoid unnecessary debt Household gives guidance in money management and better buymanship—shows them how to save on daily purchases and get more out of their incomes. Household's consumer publications are now used in more than a thousand schools and colleges.

Wouldn't you like to know more about this family money service and how it can help your employees? The coupon will bring you further information without obligation.

HOUSEHOLD FINANCE CORPORATION and Subsidiaries

Headquarters: 919 N. Michigan Ave., Chicago

"Doctor of Family Finances"

one of America's leading family finance organizations, with 248 branches in 159 cities

See Household's interesting exhibit "Stretching Your Dollar" at the New York World's Fair

HOUSEHOLD FINANCE CORPORATION, Dept. BW-7
919 N. Michigan Ave., Chicago, Ill.

Please send me booklets about Household's family money service without obligation.

Name.....

Address.....

City.....State.....

The Broadcasters' Code—Boiled Down

Children's Programs

Such programs must not contain sequences involving horror or torture or use of the supernatural. . . . No advertising appeal which would encourage activities of a dangerous social nature will be permitted.

Controversial Public Issues

As part of their public service, networks and stations shall provide time for the presentation of public questions including those of a controversial nature. . . . Time for the presentation of controversial subjects shall not be sold, except for political broadcasts. . . . Nothing in this prohibition shall be interpreted as barring sponsorship of the public forum type of program.

Educational Broadcasting

Broadcasters. . . will continue their search for improving applications of radio as an educational adjunct.

News

News broadcasts shall not be editorial. . . . News commentators as well as all other newscasters shall be governed by these provisions.

Religious Broadcasts

Radio, which reaches men of all creeds and races simultaneously, may not be used to convey attacks upon another's race or religion.

Length of Commercial Copy

Member stations shall hold the length of commercial copy, including that devoted to contests and offers, to the following number of minutes and seconds:

Daytime

Fifteen-minute programs.....3:15
Thirty-minute programs.....4:30
Sixty-minute programs.....9:00

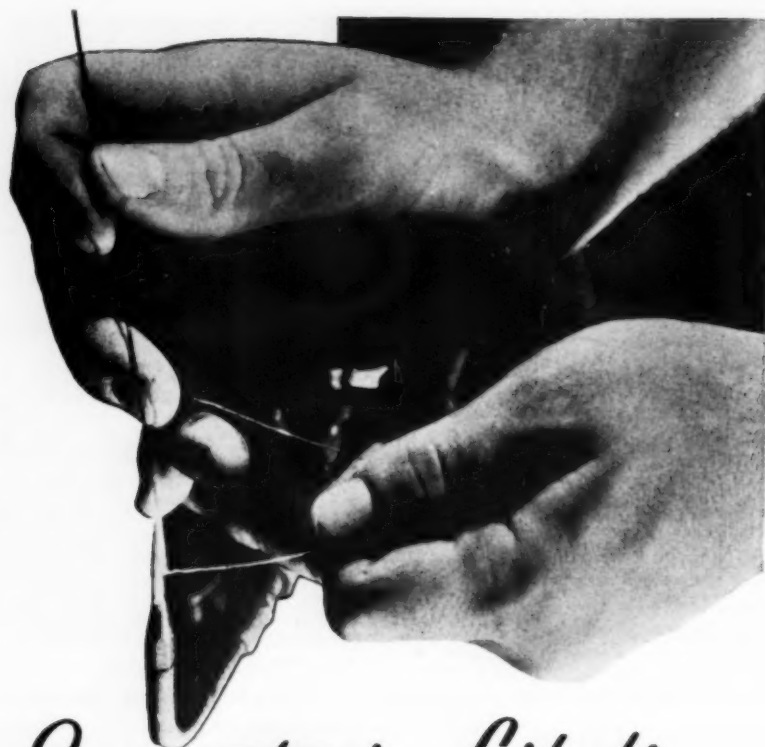
Nighttime

Fifteen-minute programs.....2:30
Thirty-minute programs.....3:00
Sixty-minute programs.....6:00

Types of Unacceptable Advertising

Member stations shall not accept for advertising:

1. Any spirituous or "hard" liquor.
2. Any remedy or other product the sale of which or the method of sale of which constitutes a violation of law.
3. Any fortune-telling, mind-reading, or character-reading, by hand-writing, numerology, palm-reading, or astrology, or advertising related thereto.
4. Schools that offer questionable or untrue promises of employment as inducements for enrollment.
5. Matrimonial agencies.
6. Offers of "homework" except by firms of unquestioned responsibility.
7. Any "dopester", tip-sheet, or race track publications.
8. All forms of speculative finance. Before member stations may accept any financial advertising, it shall be fully ascertained that such advertising and such advertised services comply with all pertinent federal, state and local laws.
9. Cures and products claiming to cure.
10. Advertising statements or claims member stations know to be false, deceptive or grossly exaggerated.
11. Continuity which describes, repellently, any functions or symptomatic results of disturbances, or relief granted such disturbances through use of any product.
12. Unfair attacks upon competitors.
13. Misleading statements of price or value.



Industry's Lifeline LIES IN SKILLED HANDS

BEHIND all industrial progress and development lies the priceless contribution of skilled hands, skilled thinking . . . and the MEN whose work is "looking ahead" constitute the very lifeline of Industry.

It seems almost too obvious to point out that these MEN, so all important to Industry, do better work when they have an adequate measure of security in their working and living.

One of the most simple, up-to-date and practical methods of providing security and financial protection for employees in case of accident, sickness, death or old age may be found in the Connecticut General's "Protected Pay Envelope Plan," a new and modern conception of properly coordinated group insurance particularly fitted to the needs of present day employee relations.

For a thorough and interesting discussion of how this plan operates, how it can fit into your organization picture, have your secretary send for our new booklet, "The Protected Pay Envelope."

Connecticut General LIFE INSURANCE COMPANY

Hartford

Connecticut


THE PROTECTED PAY ENVELOPE

Life, accident, sickness insurance, annuities, and all group lines

digest on p. 33) isn't the one which a special committee sweated over for the last year, and which was sent to members for study in advance of the convention (*BW*—Jul 8 '39, p. 30). The original draft was too strong for some members, too weak for others. Hence, the whole code was rewritten at the convention. The adopted version is less verbose than the one originally formulated, but it doesn't differ essentially.

Some Sales Setbacks Likely

Longest teeth in the code are the limitation on length of commercial copy, the ban on time sales for broadcasts on controversial public issues, and the specification that religious broadcasts be of a strictly spiritual character. Many of the smaller independent stations will find the limitation on announcements a sales setback, particularly for daytime programs. And if the code is enforced as radio men now anticipate, the broadcasters are due to lose revenue from Father Coughlin and his like; the code may also limit W. J. Cameron's broadcasts on Ford time. Advertising men are wondering what effect the code will have on the pulling power of such commentators as Lowell Thomas, Edwin C. Hill, and Boake Carter, if the no-editorializing-on-the-news provision is rigidly enforced.

Enforcement is up to the new board of directors of the N.A.B. The board is authorized to work out its own compliance machinery, and will have expulsion as its strongest weapon. The board will also set the effective date for the code, likely to be early in the fall.

That Flat 5% Causes Trouble

Of almost equal importance to adoption of the code was the other major action of the convention—the mobilization of the broadcasters for war with the American Society of Composers, Authors, and Publishers, the organization which controls most of the music now used on broadcasts.

Under contracts of several varieties, which expire Dec. 31, 1940, A.S.C.A.P. now collects a 5% gross commission on programs, regardless of whether A.S.C.A.P. music is used or not. The broadcasters want to replace that flat commission with a fee based on music used. If they can't get that kind of a deal, they plan to try to get along without A.S.C.A.P. music.

By unanimous resolution, the convention authorized a copyright committee to continue negotiations with A.S.C.A.P.—but if no agreement is in sight, the committee is to call a special convention in Chicago not later than Sept. 15. Since A.S.C.A.P. shows no signs of retreating from its flat 5%, the Chicago convention seems likely, and the broadcasters will be asked to pony up for a fund to get suitable music from independent authors and publishers—something A.S.C.A.P. says can't be done.



Gallused Mayor LaGuardia of New York and his council of U. S. Mayors (left) from Cleveland, Milwaukee, Pittsburgh, Amarillo, Louisville, and Detroit hoped this week that the WPA mass dismissals of workers on the rolls 18 months or more would work out all right, but in

Minneapolis (right) there had been riots and sudden death, and the WPA had shut down. Last Wednesday a federal grand jury scrutiny of the Minneapolis WPA situation was ordered. Findings of the Federal Bureau of Investigation will be presented to the jury.

LABOR & MANAGEMENT

INDUSTRIAL RELATIONS · PERSONNEL · EXECUTIVE POLICY

WPA Begins Firing 650,000

Dismissals are forced by reduced appropriation. Effectiveness of building trades strike is fading. "Annual wage" plans are discussed again.

WORK PROJECTS ADMINISTRATION directors shifted their attention to a new and growing problem this week, while an earlier difficulty declined sharply in importance. Though many skilled building-union members were still standing firm against the new ruling that they must work 130 hours a month to earn their "security wage," the effectiveness of the strike was petering out as anticipated (BW-July 15 '39, p. 43). However, thousands of workers were dismissed as the WPA started to reduce its rolls by 650,000, because of the economies required by the new relief law.

WPA looks ahead to months of hard work in re-gearing its administration to fit the new law. Total money available during the 1939-40 fiscal year for administrative expenses is divided thus: salaries, \$42,500,000; communication, \$600,000; travel, \$4,200,000; printing and binding, \$500,000. Executive staffs all over the country are being pruned.

Above the clamor over WPA's future, however, a sort of national murmur was heard this week in regard to building-trade wage rates. Coming as it did at about the same time as the announcement of a federal inquiry into house-building costs, the labor unions' demand

that WPA pay the same hourly rates as private builders has revived public interest in the puzzle of construction costs.

Renewed attempts may be made to popularize "annual-wage" plans, or guaranteed-work plans, as much better than the present hourly-rate system. Organized carpenters, bricklayers, electricians, plumbers, and other building craftsmen have insisted on drawing their \$1.25 to \$2 an hour, pointing out that their working time was limited by the weather.

Rank-and-File More Responsive

Nevertheless, numerous suggestions have been made that the building labor people study plans to get more *per year*, and forget about the *per hour* rates. Although the union leaders customarily freeze up at this suggestion, the rank-and-file workers are willing to talk it over. Operators of big buildings, who need year-round maintenance workers, find no difficulty in getting plenty of good union men to take the guaranteed wage which brings a higher total because it brings more working hours. In outdoors construction, climatic restrictions have beaten all plans save in the highway field, where a few agreements have been worked out to train workers in more

than one task, and to move them from job to job.

Hourly wage rates in the building field average about as high as they ever have done; an unbroken rise since 1932 was checked last year and the rates have remained fairly steady since then. Wages vary from city to city; for example, the rate for bricklayers in Atlanta is \$1.25 an hour, for carpenters \$1, for plasterers \$1.25. In New York City, the same

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Mallory metallurgists combine rare and common metals to fill an electrical or industrial need very much as a pharmacist combines drugs in order to fill a medical need. *With this difference:*

Mallory metallurgists seldom have the "prescription" written out for them. Their success must depend upon painstaking research, experimentation and testing. Best evidence of the results they obtain is the fact that during 1938 alone, twenty-six patents were granted for new Mallory Metals.

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THE COST of time wasted in washrooms mounts up tremendously when inefficient arrangement, poor fixtures or a limited supply of towels cause extra loitering and delay.

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We suggest you send for our check list of efficiency and cost-reducing facts for more satisfactory and economical washroom service.



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Drama on Angel Island



Out on an island in San Francisco Bay sat Harry Bridges this week at his defense attorney's table, scribbling rebuttal notes like mad as witnesses testified that he was a Communist and had advocated forcible overthrow of the government. The Labor Dept. hearing, under Dean

James M. Landis (far right) was expected to run for several weeks, and to allow plenty of time for full defense. Bridges' daughter, Jacqueline Betty, sits next to him at the table on the left. In the right foreground is Thomas Shoemaker, chief government counsel.

classes of workmen would draw \$1.90, \$1.75, and \$2.

Even so, workmen on buildings, either private or federal, complain about hard times and slim pay-envelopes. At the hearings before the Temporary National Economic Committee, Isador Lubin, Commissioner of Labor Statistics, recently said: "In the late 20's, the construction industry employed on the average 1,800,000 workers. During the present decade the number employed has averaged about 1,100,000 workers." Business observers believe that the WPA arguments may spotlight such facts for the national audience, and that better long-term labor agreements may eventuate.

Stevedore Penalties

**Employers win a round
against Bridges, as longshoremen
are punished for stoppage.**

WEST COAST EMPLOYERS WON a round against Harry Bridges this week, in the arbitration of a ship-and-dock labor squabble hundreds of miles away from the San Francisco hearing where Bridges, an alien, is fighting deportation demands brought on allegations that he is a Communist. The decision which pleased Pacific shippers, and which bulked larger in their eyes than the deportation hearings, was by Irvin Stahlmaster, Los Angeles arbitrator. He held that 48 union longshoremen be removed from the hiring eligibility lists for one week, as a penalty for illegal stoppage of work under

their labor contract. The decision means that each man loses \$50.

The Los Angeles ruling is the first of what the Waterfront Employers' Association hopes will be a series establishing definite penalties for violations of contract. Objective is to get penalty decisions on as many clauses of the current agreements as possible, thus ensuring the one condition the employers want: maintenance of contract.

Issue's above Persons

The fate of Harry Bridges or any other Coast waterfront labor leader is secondary, in the minds of Coast waterfront employers, to their chief objective. That's why the Los Angeles ruling this week was regarded with more interest by waterfront employers than the proceedings on Angel Island in San Francisco Bay where Australian Harry's deportation trial is going on. As a matter of fact, if Bridges would actually abide by his contracts, he'd be as acceptable to waterfront business as any other leader, they insist.

The Los Angeles case began in May when Chinese sympathizers set up a "demonstration" picket line around scrap iron ships loading in San Pedro for Japan. Members of the International Longshoremen's & Warehousemen's Union refused to go through the line. Employers, claiming violation of contract, appealed to the arbitrator who, under current contracts, rules on disputes between the two parties. The arbitrator declared the men should pass through the line. When 48 I.L.W.U. members

still refused to go to work on the dock, the employers asked the union to apply penalties for contract violation. The union, employers claim, ignored the plea and the Waterfront association placed the case in the hands of the arbitrator.

Bridges is deeply involved in the case because, in March, 1937, he went on record in writing as opposed to contract violations. Employers claim that, in spite of his stand, violations have taken place repeatedly (with Bridges' blessing). If the strategy of the employers, indicated in this week's decision, succeeds, Harry either will have to hold his men strictly to the agreements or throw aside all pretense of maintaining them. At least, that's what the employers are figuring.

Unions vs. Packers

C.I.O. tries to win elections at plants in Denver and Oklahoma City.

THE Congress of Industrial Organizations moved to open a major organization campaign in the packinghouse field this week, confirming the prediction of last fall (*BW—Nov. 26 '38, p. 27*) that the unions would move in on the meat handlers in a big way. Not only C.I.O. but also the American Federation of Labor has been gaining converts in the stockyards and packing plants during the past year.

Unions have won a number of employee elections in the packing houses, but contend that the various employers nearly always "stall" negotiations for collective bargaining agreements after the elections are held. The C.I.O. figures its largest representation to be in the plants operated by Armour & Co., but has announced that its campaign will go forward at the same time against Swift, Cudahy, and Wilson—the other members of the "Big Four."

Watch Chicago Packing Plants

Observers naturally look for the most noise to come from Chicago, where the packing business has its largest concentration of employees. The city has a local labor council which got plenty of experience in the mediation of last year's strike by stock handlers in the yards, and a Department of Labor conciliator has been assigned to stay close to the situation.

First immediate action, however, is likely to come at the Cudahy plant in Denver and the Armour plant in Oklahoma City, where the C.I.O. is trying to win employee elections that will be held before the end of the month. These cases are notable for another reason, too—the National Labor Relations Board has declined to accept union records as evidence of majority representation, and apparently will order elections much more frequently hereafter.

Keeping your uncle warm in the winter time



Twenty-one great Government buildings, including the Agricultural group, Commerce Department, Bureau of Printing and Engraving, The White House and other structures which house most of official Washington are served by this monumental heating plant. Its six C-E Boilers, fired by C-E Multiple Retort Stokers, have effected large savings in the cost of heating Government buildings. In fact, their efficiency, determined by official tests, exceeded the figure of 82 per cent called for in the Government specifications. Each of these boilers has a rated maximum continuous capacity of 123,700 lb of steam per hr but is capable of producing substantially more—over 200,000 lb per hr for short periods.

Few C-E installations are housed in as beautiful a building as the Washington

Central Heating Plant, designed by Paul Cret and approved by the Fine Arts Commission. But it is commonplace for C-E Units to exceed the buyer's expectations, not only in terms of yearly operating economy but also in their ability to give dependable, trouble-free service. These "plus" results are due to the finer engineering and construction which discerning engineers find in C-E equipment and which have been responsible for their selection of it to meet the exacting requirements of many of the country's most notable boiler plants.

Whether your steam requirements call for a 30-hp boiler and a stoker to fit, or a unit with more than five times the capacity of the Washington heating boilers, — it will pay you to specify C-E.

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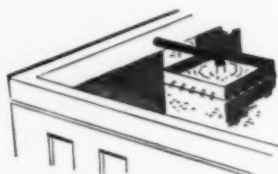
C-E PRODUCTS INCLUDE BOILERS, FURNACES, PULVERIZED FUEL SYSTEMS AND STOKERS; ALSO SUPERHEATERS, ECONOMIZERS AND AIR HEATERS

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WITH WATER-COOLED ROOFS, tenants prefer top-floor living or working quarters. Full rent can be maintained the year round . . . and the flooded roofs pay for themselves. Koppers Roofs are not damaged by the contact with water.

LET KOPPERS SOLVE *your*
PROBLEMS

Koppers has found many solutions for many industrial problems. Perhaps Koppers can help you if your problem involves: Coal and Coke, Coal Preparation Systems, Coke and Gas Plants, Purification and Recovery Equipment, Boiler and Industrial Electric Power Stations, Industrial Chemicals, Creosote, Municipal Incinerators, Castings, Special Machinery, American Hammered Piston Rings, D-H-S Bronze, Fast's Couplings, Materials-handling Systems, Pressure-treated Timber Products, Tarmac Road Tars, Waterproofing, Bituminous-base Paints, Ships, Barges.

Koppers Company, Pittsburgh, Pa.

K O P P E R S

NEW PRODUCTS

Towel Timer

PAPER TOWEL SQUANDERERS are frustrated when they read operating instructions on the new Sav-Mor Towel Dispensary: "Don't attempt to get another



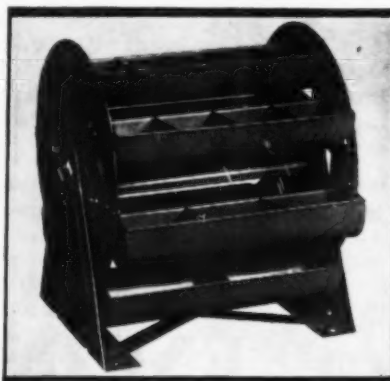
towel until you have used the one you now have in your hands. This dispenser is timed to serve a towel every several seconds." Sav-Mor Corp., 621 Broadway, New York City, points out that advertising placed on the face of its dispenser is given more reading time.

Staple Remover

STAPLES ARE EASILY attached to correspondence, but not so easily removed. To prevent torn fingernails and torn letters, Markwell Mfg. Co., Inc., 200 Hudson St., New York City, developed the S-22 Staple Remover which looks like a pair of pliers. A quick squeeze removes a staple cleanly.

"Ferris Wheel" for Hardware

PARTICULARLY USEFUL for assembly or repair work, the Kari-All Parts Assorter makes a large number of small parts quickly available because its eight troughs and 30-odd bins revolve on an



axis. Designed by Diagraph-Bradley Stencil Machine Corp., 3745 Forest Park Blvd., St. Louis, to occupy little space (it is only 10 in. wide), it can stand on a bench or be fastened to a wall.

Ink Detective

CORRESPONDENTS who like to be sure that the envelopes of their letters are not steamed open before receipt will want to know about a new Steam-Sensitive Printing Ink developed by E. J. Kelly Co., 1809 N. Pitcher St., Kalamazoo, Mich. Printed on envelope flaps, the ink acts as a detective by changing color in the presence of steam.

Boltless Pressure Cooker

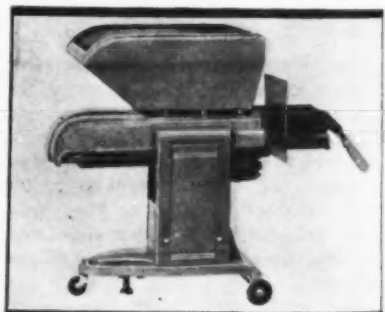
USING AN INGENUOUS flexible stainless steel cover on its aluminum Flex-Seal Pressure Cooker, Vischer Products Co., Merchandise Mart, Chicago, gets away



from hold-down bolts yet achieves cooking pressures of 15 lb. per sq. in. for "waterless cooking at high temperatures." Food cooks in a fraction of orthodox cooking time; vegetables retain color and vitamins; meats become unusually tender. Now ready in four sizes from one to four quarts.

Murray Electric Stoker

FIRST OF A SERIES of diversified products to be announced by Murray Corp. of



America, Detroit, a pioneer builder of automobile bodies, is the Murray Electric Stoker for coke, soft coal, and anthracite. Regulated by a thermostat and powered by a ½-hp. electric motor, it will deliver fuel automatically to practically all types of domestic boilers and furnaces, with no changes in grates and fireboxes. Mounted on casters, it wheels easily between fuel bin and furnace.

Protective Reducer

WHENEVER AN OVERLOAD or a jam throws excessive torque on the output shaft of the new Philadelphia "PlaneTorque MotoReduceR," the planet gears mounted on the output shaft "spider" transmit a still higher torque to the internal gear, compressing a torque spring which actuates a switch and turns off the motor. Motor starts again manually without fuss or resetting of any kind. Philadelphia Gear Works, Philadelphia, recommends the outfit for agitators, mixers, conveyors, and other equipment subject to frequent momentary overloads.

PRODUCTION ANGLES

Circuit Breakers in Volume

BACK IN 1936, the Square D Co., Milwaukee, added to its line of industrial circuit breakers a line of Multi-breakers, priced as low as \$4.70, for the residential market. Three years of successful application have flown by. Meanwhile a smart engineering department and an up-



and-coming production staff have been working cooperatively, with the result that a new low-cost Multi-breaker, to sell as low as \$2, is going into volume production. The little device (it is only 4 in. wide) promises to bring fuseless circuit protection within the reach of owners of small homes, farms, shops, and stores.

Industrial Concentration

"THE CHEMICAL INDUSTRY may be expected to become geographically more and more concentrated within the districts of desirable geological resources," states a report to the American Chemical Society, New York, by R. N. Keller and T. T. Quirke of the University of Illinois. Crux seems to be the high cost of shipping bulky raw materials. Magnitude of the potential migration may be gaged by the industry's enormous consumption of coal, petroleum, sulphur, limestone, and other minerals.

EXCLUSIVE FEATURES

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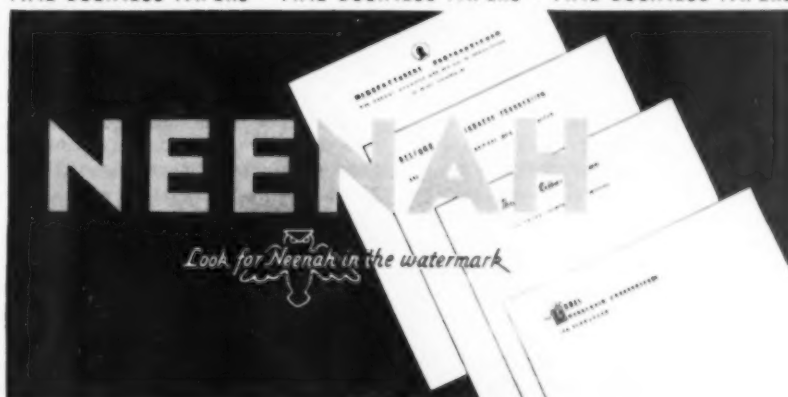


Vacuum Impregnation assures that all parts of the windings will be thoroughly insulated—complete protection from dirt, oil and moisture. *Lubricant Seal*, for ball-bearing motors, prevents dust and other foreign matter from entering, and grease from leaking out of, the bearing housing. Many Crocker-Wheeler Motors have run five to ten years without changing the grease. Write for Bulletin No. 250 which describes many important construction features of Crocker-Wheeler General Purpose Induction Motors.

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MONEY AND THE MARKETS

FINANCE • SECURITIES • COMMODITIES

Stocks Rise, Looking Ahead

Big spurt in prices is largely due to expectation of good business the rest of the year. Adjournment of Congress will end a number of worries.

LAST MONDAY stock prices bounced through one of those so-called resistance points with astounding ease. It was the widest single day's rise in about a year. At the close on Tuesday the market averages were up 12% from the July 1 level, and almost exactly \$5,000,000 had been added to the value of stocks listed on the New York Stock Exchange in the period. Trading volume mounted to the highest level since the war scares late last March. Brokerage firms frantically called partners back from vacations, clerks from furloughs.

Ask the boys in Wall Street the why of this rise in stocks and most of them will say: "Share prices were lagging behind the rise in business and profits. Sooner or later investors always get wise to that." As BUSINESS WEEK pointed out on June 24 (p52), physical volume of business by that date had risen 33% over the level of a year earlier while stock prices had recovered barely 20%.

And why had stock prices lagged? Simply because followers of the market had come to rely on signs from Europe so largely that domestic business wasn't

being given anything like its normal weight in market analysis. But the weeks dragged along, and nothing happened in Europe. Estimates of earnings and actual earnings statements for the first six months began to appear, and most of them showed pretty nice increases over the comparable period of 1938.

Chart Readers Take Notice

A few institutional investors began to nibble in the stock market, and some of the advisory organizations counseled their clients to increase their holdings. Many brokerage firms, long on the fence, recommended the bull side. Prices began to edge forward, until popular interest was aroused. Then the averages shot through the chart readers' "resistance point," and these latter rushed to get aboard.

In the final hour on Monday, trading volume on the New York Stock Exchange mounted to 830,000 shares; Tuesday's first hour accounted for 840,000 shares, with many blocks of stock ranging from 1,000 to 5,000 shares changing hands in single transactions. By that

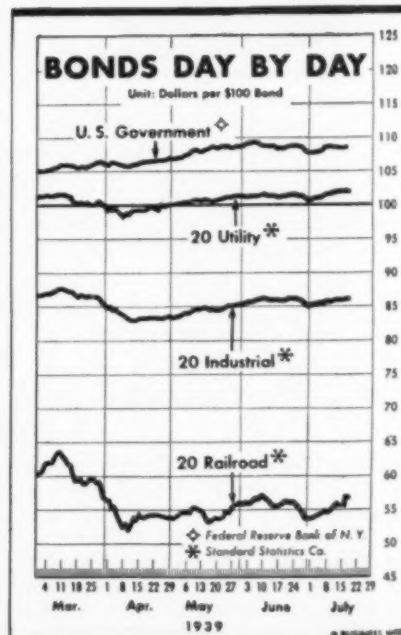
time, scores of traders who had bought stocks on the way up from the lows of late June began to take their profits. That tended to check the rise, but volume of trading subsided on the setbacks, which always is interpreted as a favorable sign by experienced traders.

What all this adds up to in terms of business remains to be seen. It may be that the rise in stocks will provide the assurance and the impetus which is needed to bring a sustained rise over this fall and winter. Certain it is that big investors here and abroad are buying as much on what they expect will happen in the last half of 1939 as they are on what actually happened in the first half. And it's equally certain that the New Deal's drive for the "self-liquidating" loan program is aimed at bolstering business from now until after the 1940 campaign.

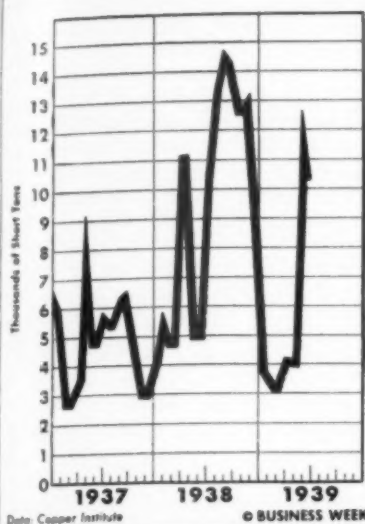
In other words, there probably is much better than an even chance that the stock market rise of the last few days is the prelude to six months of good business, perhaps to 18 months if the Ed doesn't blow off in Europe. Congress will be going home before very long now.

After adjournment there won't be any uncertainty over fiscal measures, over neutrality legislation, over taxes, or over extra-budgetary appropriations. Corporations then can make their plans almost entirely upon the evidence they find in their own order books.

With that in mind, it probably will be well to keep an eye on the commodity markets over the next few weeks. They haven't given any important signs of following the stock market upward, but they obviously will if and when industry makes any headway from its present somewhat static level—when orders for the new automobile year's production are placed, for example.



Copper Exports Up Again



Copper Revives Fast

Huge French order inspired a large domestic demand and a price boost.

WHEN FRANCE JUMPED into the market for big tonnages of copper a fortnight ago (*BW*—Jul 8 '39, p. 42), it sent the trade into a dither. The price in the United States has gone up from 10¢ to 10½¢ a pound. So far in July, consuming industries in this country have placed a volume of orders that has been exceeded in only one month since 1929. And American producers now are assured of an exceptional volume of exports for several months to come.

Thus the Franco-British bid to checkmate the Rome-Berlin axis has had salutary effects upon the markets for one of America's leading raw materials. It touched off a rise in the market for the red metal at a time when purchasing agents for fabricating industries were holding off to see if it wouldn't go down. It has brought orders from France for 25,000 tons (about \$5,000,000 worth) of copper mined in this country, on top of a similar tonnage bought from foreign producers, and it has spurred domestic manufacturers of copper products to buy about 160,000 tons of copper for delivery over the next 90 days.

Pleasanter Than Expected

Such are the significant facts which have come to light as the mystery has gradually been dispelled from the original announcement of the international cartel that it had sold 21,000 tons of copper to an unnamed government. As *BUSINESS WEEK* suggested at the time, the order turned out to be a lot larger than that. But the fact that 25,000 tons of it was for copper mined in this country, not

abroad, was the really pleasant surprise to the metal trade here.

American copper producers have had to curtail pretty sharply this year, because domestic apparent consumption has averaged only about 48,700 tons a month for the first half. Moreover, from January through April, foreign countries took only 3,000 to 4,000 tons of American-mined copper each month. That was quite a comedown from 1938 exports which, spurred by war fears, averaged over 10,200 tons a month for the entire year.

Rejoice at Export Outlook

The United States exports in May and June picked up sharply, however, totaling 12,669 and 10,289 tons, respectively. That business was attributable to large-scale Japanese demand. Now that some 25,000 tons have been booked for the French government (and assuming that Japan continues an urgent buyer whenever the government can find sufficient exchange), copper producers figure the outlook for exports is bright for several months. Some even believe that the high of August, 1938 (best month in the 3½ years the figures have been reported) of 14,761 tons will be eclipsed in the next two or three months.

Meanwhile, the backlog of 160,000 tons of new domestic business is comfortable. It might be even more comfortable if the trade didn't so clearly remember the biggest month of the last decade—October

of 1936—when 170,000 tons were ordered. That was in the heat of the commodity boom which, six months later, blew up, leaving American industry generally overstocked on its raw material inventory.

FINANCIAL ANGLES

The Woman Stockholder!

IF A SURVEY of Hartwell, Jobson & Kibbee means anything, women are smarter stockholders than men—by their own admission. Door-to-door interviewers found that 75% of female interviewees were sure that they understood the annual reports of companies in which they owned stock; only 56% of the men interviewed felt the same way. In fact, only 19% of the women were willing to confess that company reports were too difficult to understand, but 44% of the men were bogged down amid the accounting terminology. Purpose of the survey was to measure stockholder knowledgeability or ignorance about accounting. A great deal of ignorance was implied in the answers—for instance: 89% of the interviewees did not know that an auditor's statement fails to guarantee accuracy, but only consistency. 71% felt that auditors as a matter of course make a physical check of inventories. By establishing that stockhold-

New RYERSON STOCK LIST AND STEEL DATA BOOK

**Complete... Convenient
Accurate... Easy to Use**

This new book makes it easy to check specifications and select the exact kind, size and shape of steel you require. It cuts buying routine, speeds up orders and conserves your time by grouping in the most convenient form the widest range of steel products—more than 10,000 shapes, sizes and kinds—in stock for Immediate Shipment.

New features that make it much easier to secure accurate data on the various steel products are:

Visual Tab Index Dividers...

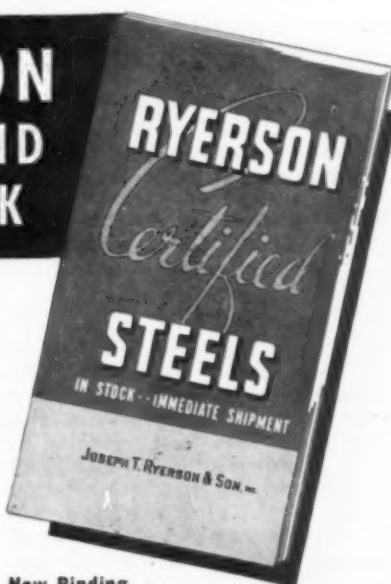
Products are grouped in sections with separate index dividers and visual tabs for quick reference.

New Products... New Sizes

Hi-Steel, Ledloy and many new products—also new sizes and shapes of bars, tubing, sheets, alloys, etc.

New Weight Tables...

Full length bar weights and other data for quick figuring.



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Mechanical type binding with oval punching for greater convenience when used flat on desk or in ring binder.

Write for your copy of this new book which gives complete data on uniform high quality steels.

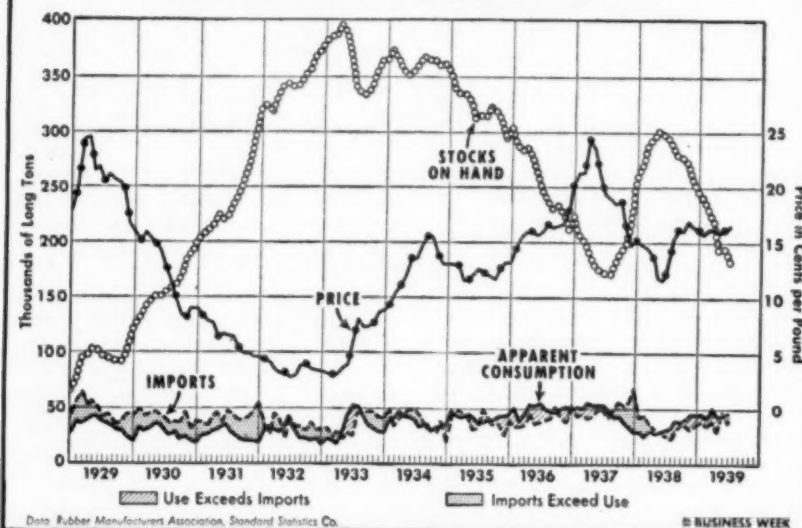
Joseph T. Ryerson & Son, Inc., Plants at: Chicago, Milwaukee, St. Louis, Cincinnati, Detroit, Cleveland, Buffalo, Boston, Philadelphia, Jersey City



RYERSON

STOCKS OF CRUDE RUBBER AT 22-MONTH LOW

U. S. Consumption Second Largest in Two Years



Rubber manufacturers in June maintained the relatively high rate of operations which has characterized 1939 to date. Apparent consumption of crude rubber in this country for the month totaled 47,259 tons, the largest with but one exception since the middle of 1937. Thus, with imports again sharply below consumption, accumulated supplies of crude

rubber in warehouses were cut to 181,794 tons, the lowest in nearly two years, the Rubber Manufacturers Association reports. Stocks now are sufficient to sustain operations at the current rate for little more than 3½ months. The industry in the six months ended June 30 used 274,566 tons against 173,255 in the 1938 period and 312,472 in 1937.

ers don't know all they ought to about auditing, Hartwell, Jobson & Kibbee hope to interest accountant organizations in a campaign of public education.

FDIC Strategy

FOR A LONG TIME the banks which are covered by the Federal Deposit Insurance Corp. have been yelling that loss experience justifies a cut in the assessment or premium which they have to pay FDIC. But Leo T. Crowley, FDIC chairman, in his annual report, insists not only that a cut is impossible but that recent heavy losses may require an increase. Mr. Crowley is probably killing two birds with one stone: (1) by asking an increase instead of a cut, he probably will be able to continue present assessments, and (2) he will work for a bigger voice in bank management by saying that FDIC must be empowered to prevent dissipation of assets if assessments are not to be raised.

Holding Company?

CITIES SERVICE CO. at the end of last week placed all its electric utility holdings in trust with the Harris Trust & Savings Bank, Chicago. Its oil and gas holdings were trusted with the City National Bank & Trust Co. (the Dawes

bank). Thus the big utility-petroleum holding company gave up voting control of all its operating properties. In effect, it said to the Securities and Exchange Commission: "Here's an accomplished fact. This no longer is a holding company. Grant us exemption from the holding company law." As a matter of fact, the SEC has never in the past agreed that a voting trusteeship completely severed holding company ties—although it has never formally taken the contrary stand either. But when the commission quickly ordered hearings, starting last Monday, to see if Cities Service had complied with provisions of the Public Utility Act of 1935, it looked as if the boys in Washington might be a little peeved. The tone of the hearings did nothing to dispel the tension.

McKesson & Robbins Better

IF MCKESSON & ROBBINS' stockholders felt green around the gills when, early this year, estimates of the F. Donald Coster fraud were tentatively made (BW—Feb. 4, 1939, p. 41), they could take heart this week in the second report of the company's trustee, William J. Wardall. True, as Mr. Wardall's latest report shows, the book inflation of assets at the time the scandal was unearthed

amounted to \$21,000,000 (\$2,870,000 of this was stolen in the crude drug fraud; the rest represented book entries of assets which didn't exist). But since the trustee took over, sales through May 31 have run 1.67% above adjusted sales figures for the same period last year, and profits through May 31, before reorganization expenses, amounted to \$1,384,960. Despite the fictitious writeups, assets at the year-end were actually \$27,296,030 greater than liabilities, and, since then, bank indebtedness has been reduced some \$4,582,000. Mr. Wardall this week set about pushing reorganization of the company, getting its securities reinstated on the New York Stock Exchange, and suing the remaining conspirators in the crude drug fraud.

Co-ops Buy a Bank

A GROUP OF COOPERATIVES and credit unions in Indiana have purchased control of the Citizens State Bank at Beech Grove, with the Indiana Farm Bureau Cooperative Association as the prime mover. Its manager, I. H. Hull (who also heads National Cooperatives, Inc.), believes this is the first co-op bank in the United States. The bank will continue to do a public business, but the co-ops and credit unions will have first call on its services and will acquire shares until they have 100% control.

Painless Payments

NO MATTER HOW MUCH it hurts to have a tooth pulled or an appendix out, the Bank of America is out to tell the patient that the payments can be painless. After testing a program for instalment payments for professional services in San Francisco, the big branch-banking organization is launching, through its 495 offices in California, these three plans: (1) the doctor or dentist gets his money when he turns over to the bank the patient's credit statement and note, less \$6 per year per \$100 and less a "credit reserve"; (2) the money is paid in monthly instalments, less 50¢ a month per \$100; (3) the patient gets his loan direct from the bank, pays carrying charges himself.

Market Reporters

PURVEYORS OF STOCK and commodity market news are finding it tough going these days. Last month the New York News Bureau suspended its financial news reporting operations via the broad news-tapes. This week two of New York's oldest commodity reporting services—Pearsall's News Bureau, founded in 1868, and Russell's Commercial News, established in 1885—merged into Russell-Pearsall News, Inc. Reasons for the consolidation were the apathy of trading interest in the commodity as well as the stock markets, and the new competition of the *Wall Street Journal*, which this year set in operation its new commodity reporting tickers.

BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

Nations Prepare Despite Calm

World rushes defense business. Germany runs into labor troubles. Japanese fears trade restrictions. Mexico studies new silver situation. Building outlook improves in Canada.

DESPITE the continuing diplomatic calm in Europe this week, individual governments are leaving nothing undone that they would want to carry through if they expected trouble this fall. Great Britain's daily steel production has touched a new peak; the government has asked members of the Association of Investment Trusts to assemble information on the amount of British-owned foreign securities that could be mobilized in case of war; and the efficient Mr. Keynes is pushing a project to lay in emergency supplies of wheat while prices are at present excessively depressed levels.

Industries, already working at an all time peak, will receive further orders from the \$866,000,000 addition to the British defense budget, while a new shipbuilding subsidy bill would provide \$50,000,000 to help rebuild the merchant fleet.

Nazi "Efficiency"?

Germany is running into serious labor troubles. The labor shortage has been acute for a year. In 1938, more than a million laborers were imported for special work. During the summer crisis and the late fall, Germany conscripted thousands of young workers to push the fortifications along the French frontier. A little later all restrictions against women workers were removed and women were sought for all kinds of jobs. Hours of work generally were boosted.

Within the last month, critical problems have arisen. Workers, confident that they won't lose their jobs, are, in contrast with the traditional splendid discipline of the Germans, becoming defiantly independent. There are no sit-downs, no walk-outs—but output is dropping, quality is deteriorating, and morale is ebbing. German labor is unintentionally beginning to rebel against the pressure of the last six years.

Soviet-German trade talks will soon come into the open, and the trade deal, when it is made, will probably be on a large scale. The Reich's trade gains in southeastern Europe don't compensate for losses in big markets in western Europe and the United States. And the Soviets trade where they can get a bar-

gain. Italy made a special trade agreement with Moscow early this year, bargaining Soviet oil for an Italian-made warship.

Watch Washington and the country as a whole for growing sentiment against Japan. The group demanding an embargo against shipments of all potential war materials to Nippon is growing rapidly. The demand is backed by a sincere desire to curb aggression, but it fails to take into account the inevitable dislocations in American markets. Japan is our third best customer, buys 88 of every \$100 worth of goods we sell abroad, is our major customer for cotton, oil, timber, machinery, copper, and scrap iron. The United States could get along without Japanese imports, and could seriously cripple Nipponese economic life with any embargo. But the business effects at home would be so serious that such action by Washington is unlikely. It may be feasible to put Japan on the tariff blacklist, along with Germany, if it can be proved that the Nipponese are subsidizing exports. This would quickly cut Japanese purchases here, but it would not amputate them abruptly or raise the policing question which an embargo raises.

The Japanese are sufficiently worried over the outlook to be laying in supplies of some American items, when their rigid import license system allows.

Reich Needs Workers

BERLIN (Cable)—Business men are surprised at the report that the Wall Street boom is due to rumors of direct negotiations between Berlin and Warsaw. Nothing is known here about such parleys.

Instead Germans are worried by increasing signs that the labor shortage will prevent completion of the Four-Year Plan on schedule. Field Marshal Goering's decree last week that only politically important public works would be continued is viewed as an official admission of the nation's increasingly inadequate supply of labor and raw materials.

Employment for June stood at 21,840,000, an increase of 1,300,000 over the

same month last year. Although industrial output has also gone up 10% since last autumn, further expansion is considered likely only through longer hours and technical improvements.

Strong efforts are being made to keep workers in the essential industries. In anthracite mines and metal works, laborers may leave their jobs only with special permission of the Labor Ministry. Germany has been forced to fall back on women to replenish the dwindling labor supply until today there are 7,000,000 women employed on the farm and in the factory.

There are ominous signs of a deterioration in the morale of labor, traceable to the fact that the shortage makes dismissal for poor work practically impossible. One leading industrialist has expressed the opinion that this may seriously impair the high quality and reputation of German export goods already suffering from the use of inferior materials.

Soviets Expect Pact

MOSCOW (Cable)—On the credit side for an alliance with Great Britain, the Russians last week put Chamberlain's Danzig statement, the alarm caused by increased Nazi activity in the Free City, Japanese impudence in respect to foreign interests in China, and the 84% favorable vote for an Anglo-Soviet alliance in a British Gallup poll.

The obvious debit items are seen here as the growing intervals between talks signifying diminishing British haste and the ominous visit Tuesday of a German battleship to Estonia with a reception aboard for the Estonian Foreign Minister and Army chiefs.

Meanwhile, compilation of the first crop reports reveals that by July 10, 20% more grain area has been harvested than by the same date last year. Many regions report transport difficulties because of the size of the crop.

Lull in France

PARIS (Cable)—With compulsory paid vacations for workers beginning last week and continuing until Sept. 15, business is preparing for a lull in activity.

Nevertheless, security markets reflected the prevalent executive opinion that the foreign situation will remain quiet during the next month. The Bourse was firm all week and remained unaffected by Japanese truculence in the Far East.

Efforts of the Daladier government to encourage foreign business in France is seen in the new Franco-American double taxation treaty. While provisions of the agreement are being kept secret, it is known to be more favorable to business than the former pact and to include pro-

visions for the exchange of information to eliminate tax evasion.

Terms of the old treaty, negotiated in 1932 and ratified in 1936 by the United States Senate, banned the French practice of taxing branches or subsidiaries of American firms both on their regular income, and an estimate of the portion of profits transferred to the parent concern. At present, profits are taxed twice only if it is clearly shown they have been transferred to the United States.

Of considerable worry to Americans is the proposed new film code which would pave the way for a drastic tax on the importation of post-synchronized films. Although the American concerns are protected by the Franco-American treaty of May 6, 1936, it is pointed out that 80% of all post-synchronized films are from the United States.

Canadian Outlook Brightens

Building activity reflects influx of European industries, and better home prospects. Defense Purchasing Board will improve war purchasing organization.

OTTAWA (Business Week Bureau)—Every week the Canadian business picture brightens. Bankers and commercial men are beginning to figure the prospective effect of a bumper western wheat crop. Current estimates place it at 450,000,000 bu., though an excellent crop in many other countries too has forced wheat prices to drastically low levels.

Order books of heavy industries and

many secondary industries are well filled. Industrialists themselves are beginning to go after British armament business and this is certain to come in larger volume soon. Canada's own defense department is speeding up order placements covered by the \$60,000,000 appropriation of the recent parliamentary session.

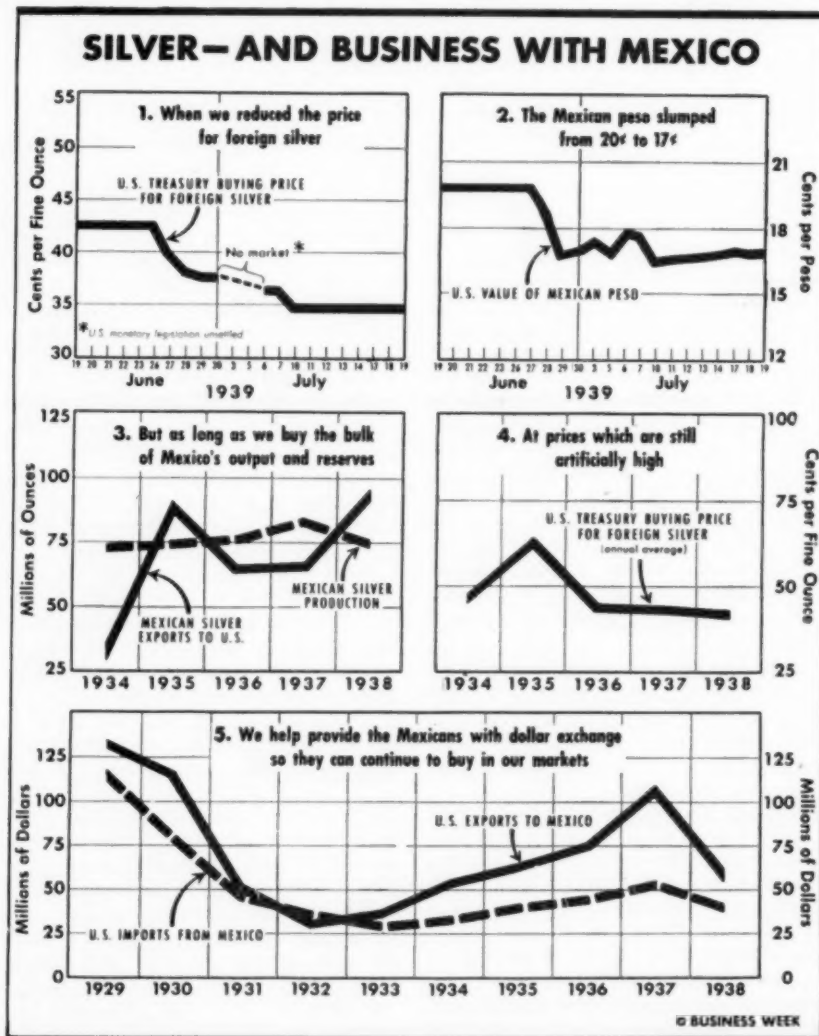
Construction is stepping ahead, stimulated by several large industrial jobs as well as by increased interest in housing on an investment basis. Refugee industries (BW—Jul 15 '39, p. 49) are beginning to contribute to construction activity in the Dominion.

Launched—or on the Agenda

Among new construction jobs already started or about to be started are: Shawinigan Water and Power Co.'s big power development on the St. Maurice river in Quebec, at an estimated cost of \$15,000,000; Aluminum Co.'s new plant at Kingston, Ontario, required for British orders, and extensions to Quebec plant, to cost \$7,000,000; Canadian Associated Aircraft's assembly plants near Montreal and Toronto required for assembling bombers being built in Canada for Britain; Canadian National Railway terminal at Montreal, estimated cost \$12,000,000—of which \$3,000,000 to \$4,000,000 will be spent this year; Bank of Montreal 16-story building in Toronto; port improvements at St. John, to cost approximately \$1,000,000; Justice Building in Ottawa, \$3,000,000. Dominion Bridge Co. has secured the contract for steel work in Associated Aircraft's Montreal plant, and Standard Steel Construction Co. the contract for the Toronto plant. Canadian Cement Co. should do big business through several of these projects and also through the Quebec provincial government's 3-year \$50,000,000 highways program, which is starting this year. Building products firms foresee good business for the balance of the year.

Rayon Silk Plant Under Way

Of refugee industries establishing here, next in size to Bata (BW—Jul 8 '39, p. 47) is a rayon silk plant at Vancouver. Rayon Silks Ltd. has been incorporated provincially with a capital of \$500,000, a 32-acre site has been acquired, and preliminary construction has commenced. A \$2,500,000 plant is planned. British Columbia Pulp and Paper Co. will supply rayon pulp, initial requirements being



Nearly 15% of Mexican treasury revenues last year came from various direct taxes on silver, which the U. S. was then buying at about 43¢ an ounce. But, since the peso was depreciated in direct relationship with the recent cut in the U. S. pur-

chasing price for foreign silver, Mexican government revenue—in terms of the peso—remains virtually unchanged if the U. S. buys as much Mexican silver as it did last year. Only serious loss to Mexico is about \$6,500,000 of foreign exchange.

50 tons a day. Behind the industry are Moritz and Pincoff, formerly of Hamburg, and Paul Zuest, a German exile, is the man on the spot.

Canadian International Paper and Masonite Corp., of the United States, have organized Masonite Co. of Ottawa, to manufacture masonite products in the Dominion.

Industry and business expect improved methods in Canada's armament purchasing to result from the setting up of the Defense Purchasing Board. The Board will have control of all orders over \$5,000. One of its first activities will be a thorough survey of Canadian manufacturing facilities. Chairman R. C. Vaughan was selected because of his experience as Canadian National Railway's vice-president in charge of purchases and stores. He will serve only long enough to get the Board organized. Other members are C. W. Sherman, head of Dominion Foundries and Steel Ltd., C. E. Gravel, prominent in industrial and banking circles and Howard B. Chase of the Brotherhood of Locomotive Engineers.

Through the operations of this Board the 5% profit limitation on armament orders imposed by Parliament recently against the advice of business probably will not be a serious handicap. Most orders will be placed by tender, and the limitation applies only to non-competitive contracts.

Another Business Subsidized

Business men have also been recruited for the new Central Mortgage Bank and for the Salt Fish Board. The latter is to assist the fishing industry in its marketing problems. Marketing of salt fish is to be subsidized by the government to the extent of 25% of the value of marketed fish.

With the Winnipeg wheat price down in the fifties, potential loss to the treasury of the Canadian government, which has guaranteed wheat growers 70¢ a bushel for No. 1 Northern wheat, is causing serious concern. Recent estimates have placed this year's Canadian wheat crop as high as 450,000,000 bu. On the assumption that domestic demand will absorb 100,000,000 bu., the government may be left with the problem of a heavy subsidy for 350,000,000 bu. which potentially should be sold abroad.

Much Philippine Gold

Engineers discuss importance of the metal as the No. 2 export of the islands.

PERHAPS BECAUSE SAN FRANCISCO is the jumping-off place, by air and water, for the Pacific islands, or because California's Mother Lode is an old and uninteresting story to the mining fraternity, delegates to the annual meeting of the American Institute of Mining and

Metallurgical Engineers, held last week in the city by the Golden Gate, devoted much of their "lobby talk" to the Philippines as one of the most spectacular of modern gold frontiers.

Also stimulating interest in Philippine gold was the presence in San Francisco of two of the "big three" of the islands' industry, Don Andres Soriano, suave, quiet, Spanish chief of the newest and financially largest organization (also president of the Philippine Chamber of Mines) and stocky Jan H. Marsman, Dutch chemist, head of the islands' largest operating company.

Many delegates were surprised to learn that gold is not far from sugar,

the No. 1 industry of the islands, in value of exports. Value of gold exports for 1939 will reach \$35,000,000, of sugar \$36,000,000. The industry paid \$2,500,000 in taxes to the Philippine government last year, and \$10,000,000 in wages to some 70,000 native mine workers.

"Emigrate" to Mining Jobs

Not the least item of interest to the delegates is the fact that there are several hundred supervisory jobs for mining engineers now filled largely by men from California and Colorado.

Of particular interest to business in general is the increase in the Philippine market for American goods represented

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by the gold development. Last year the islands bought some \$86,000,000 of United States products. About \$14,000,000 of this consisted of mining machinery.

About 80% of the gold output is produced by the "big three." John W. Haussermann's Benguet organization operates the Benguet Consolidated mine, and manages several other properties. Marsman & Co. operates the only smelter in the country and specializes in lode and placer mining. The Soriano group took form in 1932 with acquisition of the Amatok Goldfields and is known to the mining fraternity chiefly as the organization which is applying large-scale mining methods to a vast low-grade ore body at Masbate Consolidated. With modern American machinery, Soriano is recovering gold from mines originally worked by the thorough Chinese who have a reputation for picking clean any ground they work.

London Tenants Riot

Fight to prevent eviction of families. Reforms are urged in Parliament.

LONDON (*Business Week Bureau*)—Strikes in Britain have spread from organized working groups to organized tenants of vast rental areas around big cities. Recently, enraged tenants were responsible for a full-fledged riot in London.

It all began when the bailiffs and police, after the issuing of an order by the court, tried to evict five of the striking tenants of Langdale Mansions, in East London, because of an appeal by the landlords, Messrs. Craps and Gold.

Tenants of the Mansions were prepared for the move. During the 21 weeks in which they have been striking for a reduction in rents, they have formed themselves into a tight organization prepared for any emergency.

Battle of the Five Families

When the bailiffs arrived and started to evict five tenant families, an alarm was sounded and in a few minutes the central courtyard of the block was full of angry housewives (most of the husbands were at work). Armed with sticks, shovels, and saucepans, the tenants staged a 20-minute battle with the police, but at the end of that time police reinforcements arrived and the five families were dispossessed.

But by noon when the bailiffs had withdrawn, the tenants gathered supporters from other tenant unions, forced the padlocks, and reinstalled the five families. In the course of the day, loud-speaker vans toured the district and in the evening a big public meeting was held, with the bishop of the region on the platform.

The situation is under control now, but London landlords are perturbed over the future. Tenant associations are becoming increasingly strong. And in Parliament, a bill to force the builders of great suburban communities to undertake a greater responsibility toward their tenants has been amended to force the mortgage holder to assume (1) full responsibility for the soundness of the building, (2) financial responsibility to the tenant if the building is proved to be jerrybuilt, and (3) full financial responsibility to the homeowner if the builder has gone out of business before the rottenness of the house has been discovered.

London's Rent Strikers



London tenants' associations, rebelling against excessive rents, build barricades when bailiffs attempt to evict tenants for non-payment of rent.

British Press Combine

THE TRADING POST

Confidence Is Personal

A PROFESSOR of engineering in a New England college writes:

"My 10 years in industry have shown me that business has done many commendable things the public doesn't know about. Why can't the public be told? Also, why can't it be told in such a manner that it has effect? It must be told by 'down-the-line' men, who can back it up by facts and actions. For example, the public should be told the truth about our financial situation. It must be told with a ring of sincerity, by those who understand it. The telling must have more appeal than the sports page and the comic strips."

Which reminds me of something I heard a week or two ago. A well-known industrialist was discussing this very difficulty of getting across to the people at large a clear picture of what business and industry are and are not. He is a leader in business organizations, both local and national. Yet he expressed doubt as to whether the voice of the association can do the whole job—at least as effectively as this New England educator would like to see it done.

"As I see it," he said, "what we are trying to do essentially is to win and build up confidence. Now, confidence is personal. We feel confidence and breed confidence as human beings, not as corporations or associations. We have confidence in someone we feel we know and respect. It isn't *what* we say that breeds confidence so much as *who* says it. If we believe in him we believe in what he says; if we don't, we doubt him even when he recites the multiplication table. A lot of the reason for the public attitude toward big business is found in this fact. As business got bigger, it got more impersonal. And as the personal contact went, confidence went. The people, for example, are more easily influenced by some politician they know as a human being than they are by the utterances of a corporation or an association they don't know that same way."

"Today our job is to make up in some measure for this handicap. And I doubt that we can do it altogether by substituting one form of impersonal organization for another—the business association for the business corporation. This does not mean that there is not a big job to be done by the associations. There is, and I think most business men are aware of it. But all this must be supplemented by a lot of personal interest and work by the responsible men of business within their own spheres."

"In every community there are men who have or who can have, if they set

out to get it, the confidence and respect of their fellow citizens. When those men talk to their neighbors, as neighbors on a level rather than as big corporation executives, they will get a more respectful hearing than will be accorded to the most authoritative data in the world put out in their behalf by some impersonal group. I think it is going to be necessary to these men in each community to get together on some informal basis so that they can share the duty of interpreting the problems of business to their fellow citizens."

"When some explanation is to be made, let one of these men make it, over his own signature or in a released interview, rather than in the name of some association. When some interesting facts about the business of the community should be put out, let it be handled that way. When some absurd statement has been made by a hostile critic of business, let the answer come swiftly from one of these men. I appreciate that this means a lot of work and that it would be necessary to have a staff available to do the research and spade work for these men: my point is simply that the actual contact with the public should be through individual personalities. Every community has such men—two or three of them in the small town and scores of them in the cities. They should learn how to pool their names and influence so that they can be drawn upon and used in behalf of business in their communities."

"For too long now we have felt that we could delegate the job of interpreting business and industry to some association, and that when we had paid our dues we could relax and forget it. But that's too much like turning your son over to a paid governess and forgetting him. When you do that, you've shirked one of the duties of parenthood. And we've shirked one of the responsibilities of business leadership when we neglect to carry through as individuals with the job business so bitterly needs today."

"I have done my share to support and back the efforts of the business associations, both national and local; I shall continue to do so. But I am terribly conscious of this other job that we must do as individuals. It is in every case a community or neighborhood job, and a start has been made in some communities. I hope the idea will spread. It is one of the things that must be done if modern business is to overcome the handicap of impersonal bigness and regain some measure of the respect and understanding that once was enjoyed by the man of business."

That's about the way he put it to me and I am glad to pass it on. W.T.C.

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BUSINESS WEEK

The Journal of Business News and Interpretation

July 22, 1939

What Small Business Wants

WHILE A WHITE HOUSE CONFERENCE on the Mead bill was this week bringing Congressional attention back to proposals for special legislation to aid in financing small business men, the small business men were probably paying more attention to the week's signs of a general upturn in business. The promise here is particularly interesting to those concerns whose current-asset-to-current-liability ratio is a bit on the weak side. An inrush of orders has a way of improving a company's credit rating with banks. The ratio may remain the same, but the prospects of loan repayment are increased mightily by orders on the books. A banker can then feel that he is making a self-liquidating loan, not a long-term advance.

However, the happenstance of a business upturn won't settle the basic questions raised in the hearings on the Mead bill. These established that small businesses could utilize additional funds, but there was a grave question as to what kind of money they needed—bank money or capital money.

Two years ago, in an extensive analysis of the country's working capital requirements, BUSINESS WEEK pointed out that "just as there are many breeds of cattle—some for beef, some for milk, some for cream—so there are breeds of money" (*BW-Apr 10'37, p.57*). And it made the point that, even then, during a comparatively prosperous year, small business men were having a time raising funds.

The reason was essentially that, after their recent oppressive experiences, bankers had ceased being interested in capital loans. They were then able to look back with some perspective on those bullish '20's when few persons had paused for inquiry into the underlying causes of some 500 to 600 bank failures a year—and to conclude that the three-month commercial loans which had remained on the books year after year had frozen up banking capital.

ANY AGENCY, whether government-financed or privately-financed, whether it be the Reconstruction Finance Corp., a Federal Reserve bank or the Podunk National, will get into difficulty if it makes capital loans on any major scale—whether its borrower be a large business or a small one.

Consider the position of a bank that makes capital loans of \$100,000 at 6% interest and has one \$6,000 loan go sour in the first year. It has not only lost its interest, but a bite has been taken in its capital. That, in a nutshell, is the capital loan problem for banks.

One bad loan can wipe out the earnings on 10 to 20 good ones.

The breed of money needed by small—and many big—business men is equity money—money that can be used to put up buildings, buy equipment, serve as permanent working capital. It's not money to be employed for three months and then paid back.

THERE IS A PLAN being discussed in the *entre nous* circles of Washington which starts from that base. It is a scheme to raise common stock money for small business through the formation of a government-sponsored, though not government-operated, investment trust. The government would provide, say, \$100,000,000 in junior capital, private investors would raise \$500,000,000 in senior funds. Then, under private direction, this huge investment pool would buy up common and preferred stocks of worthy small companies (of, say, less than \$2,000,000-a-year sales), equipping them with permanent working capital.

There's no guaranty that this plan would work any better than numerous others proposed, no proof that the investment trust would do a larger business than RFC or the Federal Reserve banks on their industrial loans. But the percentage would operate in the trust's favor. If it buys common stock in one company and the investment goes sour, it may be able to do more than make up in capital appreciation on others. Unlike banks tied to 6% interest, it would have common stock percentage—business profits—working for it.

Certainly, if it's long-term capital the small business needs, some agency is necessary to provide it and in the proper form—not as a loan that must be paid back, but as an investment in preferred or common stock which becomes an integral part of the business. Through some such formula as this may lie the best way to do something for small business.

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